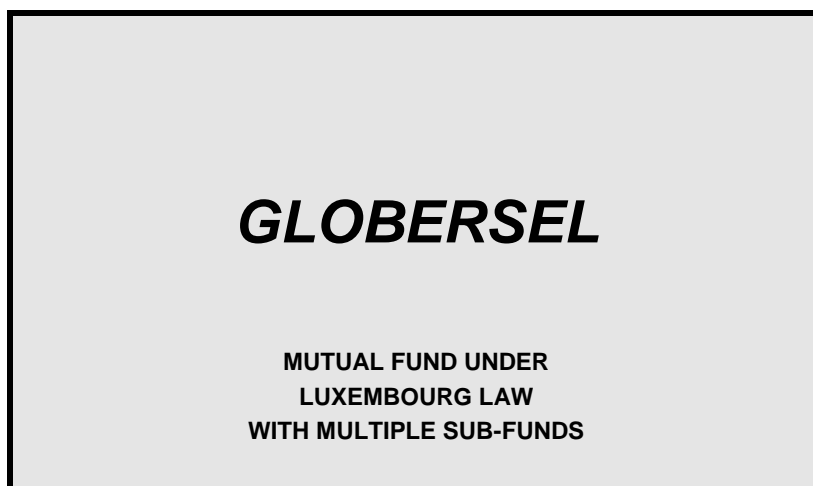


# PROSPECTUS

regarding the permanent offer of co-managed units



February 2018

**ERSEL GESTION INTERNATIONALE S.A.**

**17 rue Jean l'Aveugle  
LUXEMBOURG**

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This prospectus is valid only if accompanied by the most recent Annual Report and by the Half-Year Report if more recent than the Annual Report.

No other information may be disclosed other than that provided in this prospectus and in the documents referred to herein, available for consultation by the public.

**A Mutual Fund under Luxembourg Law  
with multiple sub-funds**

VISA 2018/111084-562-0-PC

L'apposition du visa ne peut en aucun cas servir  
d'argument de publicité  
Luxembourg, le 2018-01-19

Commission de Surveillance du Secteur Financier



**Management Company**

Ersel Gestion Internationale S.A.  
Limited company  
17 rue Jean l'Aveugle  
L-1148 Luxembourg

**Manager of the sub-fund Globersel – Broncu:**

JP Morgan International Bank Ltd  
125 London Wall  
London EC2Y 5AJ  
England

And

BANCA NAZIONALE DEL LAVORO  
Via Vittorio Veneto 119,  
I-00187 Rome  
Italy

**Manager of the sub-fund Globersel - Emerging Bond - Insight Investment:**

Insight Investment Management (Global) Limited  
33 Old Broad street  
London EC2N 1HZ  
England

**Manager of the sub-fund Globersel - European Equity - Investec AM:**

Investec Asset Management Limited  
25 Basinghall Street,  
Londo EC2V 5HA  
United Kingdom

**Manager of the sub-fund Globersel - Global Equity - Walter Scott & Partners:**

Walter Scott & Partners Limited  
One Charlotte Square,  
Edinburgh EH2 4DR  
United Kingdom

**Manager of the sub-fund Globersel - Pactum Natural Resources**

Nextam Partners Ltd  
63 Catherine Place  
London  
SW1E 6DY  
United Kingdom

**Managers of the sub-fund Globersel – US Equity Selection:**

1. First Eagle Investment Management, LLC  
1345 Avenue of the Americas  
New York, NY 10105-4300  
United States

2. Co-managed with Ersel Asset Management SGR S.p.A  
Piazza Solferino, 11  
I-10121 Torino  
Italy

**Board of Directors of the Management Company:**

Chairman of the Board of Directors

Umberto Giraud

Chief Administration and Finance Officer, Ersel Sim S.p.A.,  
and General Manager of Ersel Investimenti S.p.A.

Piazza Solferino, 11

I-10121 Torino

Italy

Members of the Board of Directors:

Antoine Gilson de Rouvreux

Independent Director

6, rue principale,

L-8383 Koerich

Max Meyer

Member of the Consultative Committee

HVL Luxembourg

31 rue de Hollerich,

L-1741 Luxembourg

Alberto Pettiti

Co-General Manager

Ersel Asset Management SGR S.p.A.

Piazza Solferino, 11

I-10121 Torino

Italy

Edoardo Tubia

Independent Director

6, rue des Lilas

L-8035 Strassen

**Depositary Bank and  
Central Administration**

CACEIS Bank, Luxembourg Branch

5, Allée Scheffer,

L-2520 Luxembourg

**Auditors of GLOBERSEL Fund and of ERSEL GESTION INTERNATIONALE S.A. Management  
Company**

Ernst & Young - Cabinet de revision agréé

35E Avenue John F. Kennedy,

L-1855 Luxembourg

**Legal Advisor**

Bonn Steichen & Partners,  
2, rue Peternelchen,  
L-2370 Howald - Luxembourg

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## MAIN FEATURES OF THE FUND

GLOBERSEL (the "**Fund**") is a mutual fund in transferable securities under Luxembourg law established in Luxembourg in accordance with Section I of the Law of 17 December 2010 ("**Law of 2010**"), specific to undertakings for collective investment in transferable securities ("**UCITS**") as defined in Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities ("**UCITS Directive**") as amended by Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 for all matters relating to the depositary functions, remuneration policies and sanctions ("**UCITS V Directive**"). The currently applicable Management Rules (the "**Rules**") were signed on 12 December 2012. The Rules were amended for the last time on 24 April 2014 and entered into force on the same date. The latest amendments to the Rules were deposited for publication in the Official Gazette of Luxembourg (the "**Official Gazette**") on 28 April 2014. The Fund is registered with the Companies Register of Luxembourg under number K1121 where the Rules have been filed and may be consulted and from which a copy may be obtained.

The prospectus may not be used for the purposes of offering and soliciting sales in any country or in any circumstance where such an offer or solicitation is not authorised. In particular, the units of the Fund have not been registered in accordance with any whatsoever of the legislative or regulatory provisions of the United States of America. As a consequence, the units of the Fund may not be the object of any public offer in that country. They may only be subscribed by American residents on the sole condition and within the strict limits provided by the applicable American legislation and regulations.

The duration of the Fund is unlimited. The reference currency of the Fund is the euro. As a Mutual Fund, GLOBERSEL has no legal personality.

The assets of the Fund are the joint and indivisible property of the participants and are segregated from the assets of the Management Company. All the units have equal rights. No restrictions are established on the amount of the assets or on the number of units representing Fund assets. The net assets of the Fund must amount to at least euro 1,250,000.

The rights and the obligations of the unit holders of the Fund, of the Management Company and of the Depositary Bank are defined by the Management Rules.

In agreement with the Depositary Bank, the *Commission de Surveillance du Secteur Financier* ("**CSSF**") and in compliance with the law of Luxembourg, the Management Company may make any amendments to the Rules considered to be in the interest of the unit holders. The amendments come into force on the date that the altered Management Rules are signed.

The Rules do not envisage General Meetings of the participants.

**The Management Company draws the investors' attention to the fact that any investor will only be able to fully exercise his investor rights directly against the Fund, if the investor is registered himself and in his own name in the unitholders' register of the Fund. In cases where an investor invests in the Fund through an intermediary investing into the Fund in his own name but on behalf of the investor, it may not always be possible for the investor to exercise certain unitholder rights directly against the Fund. Investors are advised to take advice on their rights.**

## MANAGEMENT COMPANY

The Fund is managed by ERSEL GESTION INTERNATIONALE S.A. (the “**Management Company**”) established in Luxembourg for an unlimited period of time as a *société anonyme* (public liability company) incorporated under Luxembourg law on 18 April 1989. The registered office of the Company is in Luxembourg, 17 rue Jean l’Aveugle. The Articles of Association of the Management Company were published in the Official Gazette of Luxembourg Recueil Spécial des Sociétés et Associations on 17 July 1989. They were registered in the Luxembourg Companies Register and they were amended for the last time on 14 June 2016 and published in the Official Gazette on 24 June 2016. The Company is registered in the Companies Register of Luxembourg under number B30350. The Management Company already manages the Luxembourg Leadersel Mutual Fund, the Luxembourg Systematica Mutual Fund as well as the variable share companies Ersel Sicav and Value SIF.

The registered capital of the Management Company amounts to € 600,000.00, is fully paid up, and is represented by 6,000 shares of a nominal value of €100.00 each, registered in the name of Ersel SIM S.p. A., having its registered office at 11 Piazza Solferino, 10121 Torino, Italy.

The Management Company is regulated by the provisions of chapter 15 of the Law of 2010 and carries out the functions provided in chapter 15 of the Law of 2010.

In compliance with the provisions of Chapter 15 of the Law of 2010, the Management Company has in place a remuneration policy in line with the UCITS V Directive.

The remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk taking which is inconsistent with the Fund’s Rules or the present prospectus.

The remuneration policy is in line with the business strategy, objectives, values and interests of the Fund and of the unitholders, and includes measures to avoid conflicts of interest.

Variable remuneration is paid on the basis of the assessment of performance which is set in a multi-year framework appropriate to the holding period recommended to the unitholders in order to ensure that the assessment process is based on the longer-term performance of the Fund and its investment risks and that the actual payment of performance-based components of remuneration is spread over the same period.

Fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.

The updated remuneration policy containing further details and information in particular on how the remuneration and advantages are calculated and the identity of the persons responsible for the attribution of the remuneration and advantages is available at <https://www.ersel.it/RemunerationPolicy.pdf>.

A paper copy of the remuneration policy or its summary may be obtained free of charge upon request at the registered office of the Fund.

The remuneration policy is reviewed at least on annual basis.



The Management Company shall be responsible for the functions pertaining to its status as sponsoring entity of the Fund within the meaning of the United States Foreign Account Tax Compliance Act (“**FATCA**”).

## DEPOSITARY BANK AND CENTRAL ADMINISTRATION

### Depositary Bank

CACEIS Bank, Luxembourg Branch, established at 5, allée Scheffer, L-2520 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 209.310 is acting as depositary of the Fund (the “**Depositary Bank**”) in accordance with a depositary agreement dated June 6, 2006 as amended from time to time (the “**Depositary Agreement**”) and the relevant provisions of the Law of 2010 and UCITS Rules (this term refers to the set of rules formed by the UCITS Directive, the Law of 2010, the Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing the UCITS Directive, CSSF Circular 16/644 and any derived or connected EU or national act, statute, regulation, circular or binding guidelines).

CACEIS Bank, Luxembourg Branch is acting as a branch of CACEIS Bank, a public limited liability company (société anonyme) incorporated under the laws of France, having its registered office located at 1-3, place Valhubert, 75013 Paris, France, registered with the French Register of Trade and Companies under number 692 024 722 RCS Paris.

CACEIS Bank is an authorised credit institution supervised by the European Central Bank (“**ECB**”) and the Autorité de contrôle prudentiel et de résolution (“**ACPR**”). It is further authorised to exercise through its Luxembourg branch banking and central administration activities in Luxembourg.

Investors may consult upon request at the registered office of the Management Company, the Depositary Agreement to have a better understanding and knowledge of the limited duties and liabilities of the Depositary Bank.

The Depositary Bank has been entrusted with the custody and/or, as the case may be, recordkeeping and ownership verification of the sub-funds' assets, and it shall fulfil the obligations and duties provided for by Part I of the Law of 2010. In particular, the Depositary Bank shall ensure an effective and proper monitoring of the Fund' cash flows.

In due compliance with the UCITS Rules the Depositary Bank shall:

- (i) ensure that the sale, issue, re-purchase, redemption and cancellation of units of the Fund are carried out in accordance with the applicable national law and the UCITS Rules or the Rules;
- (ii) ensure that the value of the units is calculated in accordance with the UCITS Rules, the Rules and the procedures laid down in the UCITS V Directive;
- (iii) carry out the instructions of the Fund, unless they conflict with the UCITS Rules, or the Rules;
- (iv) ensure that in transactions involving the Fund's assets any consideration is remitted to the Fund within the usual time limits; and
- (v) ensure that an Fund's income is applied in accordance with the UCITS Rules and the Rules.

The Depositary Bank may not delegate any of the obligations and duties set out in (i) to (v) of this clause.

In compliance with the provisions of the UCITS V Directive, the Depositary Bank may, under certain conditions, entrust part or all of the assets which are placed under its custody and/or recordkeeping to correspondents/ third party custodians as appointed from time to time. The Depositary Bank's liability shall not be affected by any such delegation, unless otherwise specified, but only within the limits as permitted by the Law of 2010.

A list of these correspondents/third party custodians is available on the website of the Depositary Bank ([www.caceis.com](http://www.caceis.com), section "veille réglementaire"). Such list may be updated from time to time. A complete list of all correspondents/third party custodians may be obtained, free of charge and upon request, from the Depositary Bank. Up-to-date information regarding the identity of the Depositary Bank, the description of its duties and of conflicts of interest that may arise, the safekeeping functions delegated by the Depositary Bank and any conflicts of interest that may arise from such a delegation are also made available to investors on the website of the Depositary Bank, as mentioned above, and upon request. There are many situations in which a conflict of interest may arise, notably when the Depositary Bank delegates its safekeeping functions or when the Depositary Bank also performs other tasks on behalf of the Fund, such as administrative agency and registrar agency services. These situations and the conflicts of interest thereto related have been identified by the Depositary Bank. In order to protect the Fund's and its unitholders' interests and comply with applicable regulations, a policy and procedures designed to prevent situations of conflicts of interest and monitor them when they arise have been set in place within the Depositary Bank, aiming namely at:

- (i) identifying and analyzing potential situations of conflicts of interest;
- (ii) recording, managing and monitoring the conflict of interest situations either in:
- (iii) relying on the permanent measures in place to address conflicts of interest such as maintaining separate legal entities, segregation of duties, separation of reporting lines, insider lists for staff members; or
- (iv) implementing a case-by-case management to (i) take the appropriate preventive measures such as drawing up a new watch list, implementing a new Chinese wall, making sure that operations are carried out at arm's length and/or informing the concerned unitholders of the Fund, or (ii) refuse to carry out the activity giving rise to the conflict of interest.

The Depositary Bank has established a functional, hierarchical and/or contractual separation between the performance of its UCITS depositary functions and the performance of other tasks on behalf of the Fund, notably, administrative agency and registrar agency services.

The Management Company and the Depositary Bank may terminate the Depositary Agreement at any time by giving ninety (90) days' notice in writing. The Management Company may, however, dismiss the Depositary Bank only if a new depositary bank is appointed within two months to take over the functions and responsibilities of the Depositary Bank. After its dismissal, the Depositary Bank must continue to carry out its functions and responsibilities until such time as the entire assets of the sub-funds have been transferred to the new depositary bank.

The Depositary Bank has no decision-making discretion nor any advice duty relating to the Fund's investments. The Depositary Bank is a service provider to the Fund and is not responsible for the

preparation of this prospectus and therefore accepts no responsibility for the accuracy of any information contained in this prospectus or the validity of the structure and investments of the Fund.

**Central Administration :**

CACEIS Bank, Luxembourg Branch, established at 5, allée Scheffer, L-2520 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 209.310 is acting as central administration agent of the Fund (the "**Administration Agent**") in accordance with a Central Administration Services Agreement dated November 15, 2010, as amended from time to time (the "**Central Administration Services Agreement** ") and the relevant provisions of the Law of 2010 and the UCITS Rules.

CACEIS Bank, Luxembourg Branch is acting as a branch of CACEIS Bank, a public limited liability company (société anonyme) incorporated under the laws of France, having its registered office located at 1-3, place Valhubert, 75013 Paris, France, registered with the French Register of Trade and Companies under number 692 024 722 RCS Paris.

CACEIS Bank is an authorised credit institution supervised by the European Central Bank ("ECB") and the Autorité de contrôle prudentiel et de résolution ("ACPR"). It is further authorised to exercise through its Luxembourg branch banking and central administration activities in Luxembourg.

This Central Administration Services Agreement has been concluded for an indefinite duration and may be terminated by either party in writing with three months' notice.

In its capacity as Administration Agent, CACEIS Bank, Luxembourg Branch shall notably perform the calculation of the net asset value of units for each existing class or sub-fund of the Fund, management of accounts, the preparation of the annual and semi-annual financial statements and execute all tasks required as central administration.

In its capacity as the transfer and registration agent, CACEIS Bank, Luxembourg Branch shall in particular reconcile subscription, redemption and conversion applications and keep and maintain the register of unitholders of the Fund. In such capacity it is also responsible for supervising anti-money laundering measures under the AML Regulations. CACEIS Bank, Luxembourg Branch may request documents necessary for identification of investors.

For its services, CACEIS Bank, Luxembourg Branch shall receive remuneration as detailed in the Central Administration Services Agreement.

## THE MANAGERS

The Management Company is responsible for the investment policy of the Fund.

For the definition of the investment policy of the sub-fund **Globersel - Pactum Natural Resources**, the Management Company has delegated management to Nextam Partners Ltd , 63 Catherine Place, London - SW1E 6DY, United Kingdom on the basis of a novation agreement effective as of February 1, 2018 relating to the investment management agreement dated November 20, 2011.

For the definition of the investment policy of the sub-fund **Globersel - US Equity Selection**, the Management Company has delegated management activities to First Eagle Investment Management, LLC, 1345 Avenue of the Americas, New York, NY 10105-4300, United States, in co-management with Ersel Asset Management SGR S.p.A., 11 Piazza Solferino, 10121 Turin, Italy.

For the definition of the investment policy of the sub-fund **Globersel - Global Equity - Walter Scott & Partners**, the Management Company has delegated management activities to Walter Scott & Partners Limited, One Charlotte Square, Edinburgh EH2 4DZ, United Kingdom on the basis of a management agreement signed on 28 December 2007.

For the definition of the investment policy of the sub-fund **Globersel - European Equity - Investec AM**, the Management Company has delegated management activities to Investec Asset Management Limited, 25 Basinghall Street, London EC2V 5HA, United Kingdom, on the basis of a management agreement signed on 21 April 2017.

For the definition of the investment policy of the sub-fund **Globersel - Emerging Bond - Insight Investment**, the Management Company calls on the services of Insight Investment Management (Global) Limited, 33 Old Broad Street, London, EC2N 1HZ.

For the definition of the investment policy of the sub-fund **Globersel - Broncu**, the Management Company calls on the services of JP Morgan International Bank Ltd, 125 London Wall, London, EC2Y 5AJ and, also on the services of Banca Nazionale del Lavoro, via Vittorio Veneto 119, 00187 Rome.

Each manager is referred to singly as “the Manager”.

The Manager’s core activity is asset management.

The Manager assists the Management Company in choosing its investment and placement policy for the Fund and sees to the daily management thereof.

As part of its duties, the Manager may, assuming full responsibility therefore and at its expense, consult investment advisors of its choice. It will also guarantee monitoring of performance, compliance with regulations regarding positions and control of subscriptions and redemptions, with the supervision and under the responsibility of the Management Company.

## FUND INVESTMENT OBJECTIVES AND POLICY

### (1) General policy

GLOBERSEL offers the public the opportunity of investing in a basket of international securities. In fixing its investment policy, the Management Company considers that protection and growth of capital are of equal importance. To this end, a broad diversification of geographical and currency risks is assured and also as regards the types of securities.

The units issued by the Fund may belong to various classes (see “The units” below).

The investment policy of each sub-fund is established by the Management Company according to the current political, economic, financial and monetary climate.

In any case, the assets of each sub-fund are exposed to market fluctuations and to the risks inherent in all investments in securities; therefore, achievement of the objectives of the various sub-funds cannot be guaranteed.

The financial techniques and instruments described in the last chapter of this prospectus may be used in managing the sub-funds described in the "Available sub-funds" chapter, in accordance with the limits established therein, also for purposes other than hedging. Investors are warned that transactions on futures and/or options are characterised by a high level of volatility and risk. These operations will be used only and exclusively to the extent that they comply with the investment policy of the sub-funds.

The Management Company reserves the right, according to its own requirements, to create new sub-funds. In this case, this prospectus will be amended accordingly.

The Management Company may also decide to wind up a sub-fund.

In managing the various sub-funds, the Fund must comply with the investment limits set forth in this prospectus.

(2) Sub-Funds that invest in emerging countries

(I) Definition of "emerging countries"

"Emerging countries" are, countries other than United States of America and Canada, Switzerland and Members of the European Economic Area, Japan, Australia and New Zealand. However, emerging countries may also include those European Economic Area countries that do not have fully developed financial markets.

(II) Warnings

Potential investors are warned that investment in one or more sub-funds of the Fund that invest or may invest in emerging countries involves a high level of risk due the political and economic situation of emerging markets which may affect the value of such investment. Furthermore, investment in such sub-funds involves risks related to restrictions imposed on foreign investments, the counterparties involved, higher market volatility and also risks of a lack of liquidity of certain portfolio lines. Investors' attention is drawn on the operating and supervisory conditions of these markets which may differ from the main standards of major international markets.

Certain emerging markets are not as secure as most of the international markets of developed countries. For this reason, operations relating to portfolio, settlement and custody transactions carried out on behalf of these sub-funds and of the Depositary Bank, could entail a higher risk. The Fund and the investors in these sub-funds accept such risks.

The settlement and safekeeping systems of emerging markets are not organized in the same way as those of developed countries. Furthermore, the standard of these services may not be as high and the controlling and supervising authorities may not be developed to a similar extent. There is, therefore, a risk that settlement may be postponed with consequent drawbacks as regards the liquidity of such securities.

Specific East European markets are also affected by risks regarding the settlement and safekeeping of securities due to the fact that, in certain countries (such as Russia), securities are not delivered physically

and ownership of the securities is confirmed only by recording in the shareholders register of the issuer company. Each issuer company is responsible for appointing a registrar.

In the case of Russia, this situation has resulted in wide scale geographic diffusion of thousands of registers all over the country. The Russian “Federal Commission for Securities and Capital Markets” has defined responsibilities regarding the keeping of the registers, including proof of ownership and transfer procedures.

Due to the difficulties encountered by the Commission in applying the rules, risks of losses and errors continue to exist and there is no valid guarantee that the registrars act in accordance with current legislation and regulations.

Certain procedures, widely accepted in the sector, are now being applied. Following registration, the registrar issues an abstract of the shareholders register. Ownership of the securities is, however, tied to recording in the shareholders register rather than to ownership of the abstract thereof. The abstract, which only proves registration, is not negotiable and, therefore, has no intrinsic value. Furthermore, it is not accepted as proof of ownership by the registrar and no obligation exists to inform the Depository or its local agents in Russia of any modifications to the shareholders register. Consequently, Russian securities are not deposited at the Depository or its local agents in Russia.

For this reason, neither the Depository nor its local agents in Russia can be considered as performing a physical safekeeping or custody function in the conventional sense. The registrars are not agents, either of Depository or of its local agents in Russia and are not liable to them.

The Depository has accepted to contribute its know-how and experience in selecting, appointing and supervising its agents. Its liability extends only to the actions and omissions of most of its agents but does not extend to any loss deriving, directly or indirectly, from the actions or omissions of its agents in specific emerging countries, including Russia and Ukraine, provided that it has not committed negligence or wilful default in selecting, appointing and supervising its agents. Furthermore, the Depository is not liable for any losses due to liquidation, bankruptcy or insolvency of any agents. The liability of the Depository Bank extends only and exclusively to its own negligence or gross misconduct and does not extend to any loss deriving from the liquidation, bankruptcy, negligence or gross misconduct of any registrar. In the case of such losses, the Fund will have to pursue its rights directly against the issuer and/or its appointed registrar.

The risks indicated here, relating to the safekeeping of securities in Russia, may exist, in a similar manner, in other East European countries and in the emerging countries in which the Fund may invest.

All the investment policies for all the sub-funds are described in the sub-fund sheets (hereinafter referred to as the “Sub-Fund schedules”) appended to this prospectus.

### (3) Specific risks for investments on the Chinese Interbank Bond Market (“CIBM”)

CIBM is an OTC market outside the two main stock exchanges in the PRC (i.e. SSE and SZSE) and was established in 1997. On CIBM, institutional investors (including domestic institutional investors but also QFIIs, RQFIIs as well as other offshore institutional investors, subject to authorization) trade sovereign, government and corporate bonds on a one-to-one quote-driven basis. CIBM accounts for more than 95% of outstanding bond values of total trading volume in the PRC.

The main debt instruments traded on CIBM include government bonds, financial bonds, corporate bonds, bond repo, bond lending, People's Bank of China ("PBOC") bills, and other financial debt instruments.

CIBM is regulated and supervised by PBOC. PBOC is responsible inter alia for establishing listing, trading, functioning rules applying to CIBM and supervising the market operators of CIBM. CIBM facilitates two trading models: (i) bilateral negotiation and (ii) click-and-deal. Under the China Foreign Exchange Trading System ("CEFTS"), which is the unified trading platform for CIBM, negotiation is applied to all inter-bank products while one-click trading is only applied to spot bonds and interest rate derivatives.

The market-maker mechanism, whereby an entity ensures bilateral quotations for bonds, was officially introduced in 2001 to improve market liquidity and enhance efficiency. Deals through market making can enjoy benefits such as lower trading and settlement costs.

Bond transactions must be conducted by way of bilateral trading through independent negotiations and be concluded on a transaction by transaction basis. Bid and ask prices for primary bond transactions and repurchase interest rates must be determined independently by the parties to the transaction. Both parties to a transaction shall typically, in accordance with the contract, promptly send instructions for delivery of bonds and funds, and shall have sufficient bonds and funds for delivery on the agreed delivery date.

China Central Depository & Clearing Co., Ltd ("CCDC") will deliver bonds on time according to the instructions matching with elements sent by both parties to a transaction. Fund clearing banks (e.g. settlement agent banks of foreign institutional investors) will handle the transfer and settlement of bond transaction payments on behalf of participants in a timely manner.

Investors should be aware that trading on CIBM exposes the Fund to increased counterparty and liquidity risks.

### **Risks associated with the investment through Bond Connect**

In addition to opening an account in China to access the CIBM, some Funds may invest in the bonds tradable in the PRC ("Bond Connect Securities") through connection between the PRC and Hong Kong financial infrastructure institutions ("Bond Connect").

### **Regulatory risk**

Any laws, rules, regulations, policies, notices, circulars or guidelines published or applied by any of the Bond Connect Authorities (as defined below) are subject to change from time to time in respect of Bond Connect or any activities arising from Bond Connect (the "Applicable Bond Connect Laws and Rules") and there can be no assurance that Bond Connect will not be abolished. The relevant Fund may be adversely affected as a result of any change in the Applicable Bond Connect Laws and Rules. "Bond Connect Authorities" refers to the exchanges, trading systems, settlement systems, governmental, regulatory or tax bodies which provide services and/or regulate Bond Connect and activities relating to Bond Connect, including, without limitation, the PBOC, the Hong Kong Monetary Authority ("HKMA"), the Hong Kong Exchanges and Clearing Limited, CFETS, the Central 76

Moneymarkets Unit of the HKMA ("CMU"), CCDC and Shanghai Clearing House ("SHCH") and any other regulator, agency or authority with jurisdiction, authority or responsibility in respect of Bond Connect.

### **No off-market transfer**

Pursuant to the Applicable Bond Connect Laws and Rules, the transfer of Bond Connect Securities between two members of CMU and between two CMU sub-accounts of the same CMU Member is not allowed.

No amendment of orders, limited cancellation of orders

Pursuant to the Applicable Bond Connect Laws and Rules, instructions relating to sell and buy orders for Bond Connect Securities may only be cancelled in limited circumstances pursuant to the Applicable Bond Connect Laws and Rules and that instructions may not be amended.

### **Hedging Activities**

Hedging activities are subject to the Applicable Bond Connect Laws and Rules and any prevailing market practice and there is no guarantee that the Fund will be able to carry out hedging transactions at terms which are satisfactory to the Management Company and the relevant Manager of the relevant sub-fund. The Fund may also be required to unwind its hedge in unfavourable market conditions.

### **Tax**

The treatment of tax under the Applicable Bond Connect Laws and Rules is not clear. Accordingly, where the Applicable Bond Connect Laws and Rules require a custodian/ clearing house / any other agent stipulated by such rules to withhold any tax, or where such custodian / clearing house / any other agent has a reasonable basis for believing that such withholding may be required, the custodian / clearing house / any other agent may do so at the rate required by the regulation, or if in the custodian's opinion the Applicable Bond Connect Laws and Rules are not very clear on the rate, at such rate as the custodian/ clearing house / any other agent may, reasonably determine to be appropriate. Tax may be withheld on a retroactive basis.

### **Nominee Holding Structure**

Bond Connect Securities will be held by CMU, opening two nominee accounts with CCDC and SHCH. While the distinct concepts of "nominee holder" and "beneficial owner" are generally recognized under the Applicable Bond Connect Laws and Rules, the application of such rules is untested, and there is no assurance that PRC courts will recognise such rules, e.g. in liquidation proceedings of PRC companies or other legal proceedings.

## **THE UNITS**

The assets of the Fund are divided into units that represent all the rights of the unit holders.

Not all the units of the various sub-funds may have the same value. All the units belonging to the same class of one and the same sub-fund have the same rights as regards redemption, information, settlement and for any other effects.

Meetings of the unit holders are not envisaged.



The Fund will issue capitalisation units. However, the Fund is specifically authorised, according to a resolution by the Board of Directors of the Management Company, to issue two types of units for each sub-fund, i.e. distribution units and capitalisation units.

The units of each sub-fund, class and/or sub-class will be issued in registered form.

Unless otherwise established, investors who have requested a nominative registration in the register will not receive representative certificates of their units. Instead of the certificate, a confirmation of registration in the register will be issued. Fractions of registered units may be issued up to a thousandth of unit.

In the case in which distribution units are issued, these units generate dividends whose amount is decided by the Management Company inside each sub-fund, while the portion of the income corresponding to the capitalisation units will not be distributed but added to the portion of the net assets of the sub-fund related to such units. The Management Company may, at any time, decide to create another class of units or of sub-classes of units with their own specific characteristics. In this case, the prospectus will be updated.

The units of this Fund may be listed on the Luxembourg Stock Exchange.

Detailed information regarding the various classes of units issued can be found under “Sub-Fund schedules” (see the chapter on “Available sub-funds”).

## **SUBSCRIPTION CONDITIONS AND PRICE**

The units of each sub-fund of the Fund may be subscribed at the counters of the Depositary Bank, at the Management Company and at other banks and institutes authorised by the Management Company.

The investor must complete and sign a subscription request under reserve of acceptance by the Management Company. For each class of units, a minimum subscription may be defined as indicated in the “Sub-Fund schedules” (see the chapter on “Available sub-fund

s”). Subscription requests may be expressed in amount or in number of units. If the minimum subscription is not reached, subscription may be closed.

Unless otherwise specified in the “Sub-Fund schedules”, subscription lists are closed daily at the registered office of the Management Company at 4 p.m on the business day preceding the Calculation Date.

The subscription price corresponds to the net asset value determined on the first Calculation Date after acceptance of the subscription request by the Management Company.

The Fund will not charge any subscription fees unless the sub-fund schedule provides otherwise.

The subscription price may be increased by any tax and stamp duty applicable in the various countries in which the units are placed.

The subscription price is paid in the currency in which the sub-fund class concerned is denominated.

The subscription price will have to be paid into the account of the sub-fund within 2 business days after the Calculation Date of the net asset value applicable to the subscription.

The units are issued against payment of the subscription price and the representative certificates or confirmations of subscription of the units are delivered by the Depositary Bank within fifteen days from payment of the equivalent value of the subscription price into the assets of the Fund.

The units may also be used in return for contributions in kind, but in compliance with the requirement for an assessment report to be submitted by the Fund's Auditor designated by the Management Company in accordance with the Rules, with this prospectus, and with the investment limits of the sub-fund concerned. The securities accepted in payment of a subscription are assessed, for the transaction's needs, at the last buyer rate on the market at the time of the assessment. Such accepted securities must be compliant with the investment policy of the sub-fund concerned. The investor, who has requested the contribution in kind, will bear the costs resulting from and associated to the subscription in kind. The Management Company has the right to refuse any contribution in kind without having to justify its decision.

The Management Company may, at any time, at its discretion and without further justification, refuse subscription of the units of one or more sub-funds in one or more countries. If a request is rejected, the Company will return, at the risk of the requesting party, payments with the request or the balance thereof within five business days from the date of refusal. Such payments may be made by cheque or by telegraphic bank transfer, at the expense of the subscriber.

The Management Company may at all times and at its discretion, suspend temporarily, stop definitively, or limit the issuance of units to natural or legal persons residing or domiciled in certain countries and territories or to exclude them from the acquisition of units, if such a measure is necessary to protect the unit holders or the Fund.

Unit holders are advised that the classes of units, as defined in the Sub-Fund schedules, are accessible only to certain types of investor.

## **REDEMPTION CONDITIONS AND PRICE**

Unit holders may request redemption of the units at any time by sending an irrevocable redemption instruction to the Depositary Bank, to the Management Company, to the other banks or other institutions authorised for this purpose by the Management Company.

The Management Company may fix a minimum redemption amount for each class of units set forth in the "Sub-Fund schedules" (see the chapter on "Available sub-funds"). In this case, the prospectus will be amended accordingly and holders will be informed.

The redemption price of the units will correspond to the net asset value of the sub-fund determined on the first Calculation Date after the date of acceptance of the redemption instruction by the Management Company. Unless specified otherwise in the "Sub-Fund schedules", the redemption lists are closed at the registered office of the Management Company by 4 p.m. of the business day prior to the Calculation Date.

The Fund will not charge any redemption fee unless the sub-fund schedule provides otherwise.

However, any expenses, tax, stamp duty may be deducted from the amount redeemed.

The equivalent value of the units submitted for redemption will be paid in the currency in which the class concerned is denominated, by bank transfer within 7 business days from the Calculation Date of the net asset value applicable to redemption.

The redemption price may be higher or lower than the prices paid at the time of issue according to the evolution of the net asset value.

Redemption requests may be expressed in amount or in number of units. If the minimum subscription is not reached, the redemption request may be cancelled.

As decided by Management Company in prior agreement with the Depositary Bank, redemption of units may be suspended in the cases described in the chapter on "SUSPENSION OF CALCULATION OF NET ASSET VALUE, OF THE ISSUE, OF REDEMPTION AND CONVERSION OF THE UNITS", if necessary in the interest of the public or of the participants and, in particular, in cases in which the legal, regulatory or contractual provisions that regulate the activity of the Fund are not complied with.

Furthermore, the Management Company may at all times redeem units held by investors who are excluded from the right to acquire or to hold units. This shall apply in particular to US citizens, to non-institutional investors who invest in units reserved for institutional investors, as defined in the Sub-Fund schedules.

The Management Company may, at the request of the unit holder who wishes to redeem his units, grant, in whole or in part, a distribution in kind of securities of any class of units to the latter, instead of redeeming the units in cash. The investor, who has requested to redeem his units in kind, will assume the costs. The Management Company will proceed thus if it should deem that such a transaction is not carried out to the detriment of the interests of the remaining unit holders of the class concerned. The assets to be transferred to this unit holder shall be determined by the Management Company and the Manager, in consideration of the practical aspect of the transfer of assets, the interests of the class of units and the other holders, and the holder of the unit. This unit holder may be liable for expenses including, but not limited to, brokerage fees and/or local taxes on the transfer or sale of securities thus received in return from the redemption. The net proceeds from the sale of these securities by the unit holder requesting the redemption may be less than or equal to the corresponding price of redemption for the units of the class concerned, in view of the conditions of the market and/or the differences in the prices charged for such sales or transfers and for the calculation of the net asset value of this class of units. The choice of assessment and the transfer of assets will be indicated in an assessment report by the auditor of the Fund.

## **CONVERSION**

Investors may transfer all or part of their investment from one sub-fund to another or from one class or sub-class to another of the Fund. Conversion will be made at no cost unless specified otherwise in the "Sub-Fund schedules" (see the "Available sub-funds" chapter).

POSSIBILITY OF TRANSFER FROM ONE SUB-FUND TO ANOTHER

Investors may transfer all or part of their investment from one sub-fund to another. They must fill in and sign an irrevocable conversion order, with suitable conversion instructions, addressed to the Depository Bank, to the Management Company, to the other banks and institutions authorised for that purpose by the Management Company.

Conversion is at the net asset value on the Calculation Date following the date of acceptance of the conversion application by the Management Company. Conversion lists are closed at the registered office of the Management Company by 4 p.m. of the business day prior to the Calculation Date.

Conversion may not be made if calculation of the net value of one of the sub-funds concerned is suspended.

The number of units allocated in the new sub-fund is established according to the following formula:

$$A = \frac{B \times C \times E}{D}$$

where:

- A is the number of units of the new sub-fund subscribed;
- B is the number of units submitted for conversion;
- C is the net asset value of a unit of the sub-fund whose units are presented for conversion, on the date of the operation;
- D is the net asset value of a unit of the new sub-fund on the day of the operation;
- E represents the exchange rate between the two sub-funds concerned on the date of the operation.

A minimum conversion amount may be fixed by class of units of any subscription contained in the "Sub-Fund schedules" (see the chapter on "Available sub-funds"). Subscription requests may be expressed in amount or in number of units. If the minimum subscription is not reached, the redemption request may be cancelled.

POSSIBILITY OF CONVERSION FROM ONE CATEGORY, OR SUB-CATEGORY OF UNITS WITHIN THE SAME SUB-FUND.

If units are issued, investors may convert the units of one class or sub-class into units of another class or of another sub-class inside the same sub-fund.

Investors must fill in and sign an irrevocable conversion order, with suitable conversion instructions, addressed to the Depository Bank, to the Management Company, or to the other authorised banks and institutions, together with the confirmations of subscription or, where applicable, by the related certificates. Conversion will be at the net value on the Calculation Date immediately following the date of acceptance of the conversion application by the Management Company. The conversion lists will be closed by and no later than the business day prior to the Calculation Date.

Conversion may not be made if calculation of the net value of the sub-fund concerned is suspended.

At any time and notwithstanding the above, the Management Company may decide to refuse subscription of specific types of units. It may decide to establish other classes or sub-classes of units, subscription of which is restricted to specific investors. In this case, the prospectus will be updated.

## MARKET TIMING AND LATE TRADING

In accordance with Circular 04/146 issued by CSSF (*Commission de Surveillance du Secteur Financier*) regarding the protection of UCI (Undertakings for Collective Investment) and their investors against Late Trading and Market Timing practices (hereinafter the "**Circular**"), the Fund does not authorise practices associated to Market Timing and Late Trading.

The Circular defines Market Timing as "*an arbitrage method through which an investor systematically subscribes and redeems or converts units or shares of the Fund within a short period of time by taking advantage of timing differences and/or imperfections or deficiencies in the method of determination of the NAV of the Fund*".

The Circular defines Late Trading as "acceptance of a subscription or conversion or redemption instructions after the time limit fixed for accepting instructions on the relevant day (cut-off time) and execution of this instruction at the price based on the net asset value (NAV) applicable to such day".

The Board of Directors reserves the right to refuse subscription and conversion instructions received from an investor suspected by the Fund of adopting such practices and to take, where necessary, the measures necessary to protect other investors of the Fund.

Subscription, redemption and conversion are carried out at unknown NAV.

## CALCULATION OF NET ASSET VALUE

The accounts of each sub-fund are kept in the respective valuation currency. The net asset value of each sub-fund is calculated by the Management Company or by the institution appointed thereby (Calculation Date). The net asset value of each sub-fund is calculated on the basis of the last closing price available on the Calculation Date (or on the basis of the last closing price on the date of the net asset value when the sub-fund schedule so provides) on the markets where the securities held in the portfolio are principally traded. It is expressed in the sub-fund's valuation currency.

If the Calculation Date of the net asset value is not a full banking day in Luxembourg, the Calculation Date of the net asset value is postponed to the next full banking day.

When the valuation day date of the net asset value (hereinafter referred to as the "**Valuation Day**") is not a banking day in Luxembourg, it will be postponed to the next banking day. In such a case, the Calculation Date of the net asset value will be moved forward to the banking day in Luxembourg following the Valuation Day.

For each sub-fund, the net asset value is equal to the aggregate value of the assets of the sub-fund, minus liabilities.

The per-unit net asset value of each class varies according to payment of dividends to the distribution units. Payment of dividends generates an increase in the ratio between the value of the capitalisation units and the value of the distribution units. This ratio is referred to as “parity”. Parity is obtained by dividing, on the ex-coupon day, the net asset value of the capitalisation unit by the net asset value of the ex-coupon distribution unit.

For each sub-fund, the net asset value of the capitalisation unit is equal to the net asset value of the distribution unit multiplied by the “parity” relating to this sub-fund.

The net asset value of the distribution unit is obtained applying the following formula:

Total net assets of the sub-fund

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Number of distribution units + (number of capitalisation units x parity)

Assets are priced as follows

- (a) securities listed on an official Stock Exchange or other regulated market, recognized as regularly functioning and open to the public are priced according to the most recent closing price available on the Calculation Date, (or on the basis of the last closing price on the date of the net asset value when the sub-fund schedule so provides) unless such price is not considered representative. If the security is listed on several markets, it is priced according to the price on the main market;
- (b) securities not listed on an official Stock Exchange or other regulated market, recognized as regularly functioning and open to the public and listed securities whose price is not representative are priced at presumed realisable value, according to valuation criteria considered prudent by the Management Company;
- (c) liquid deposits will be priced according to their nominal value plus interest accrued up to the end of the previous banking day;
- (d) assets denominated in a different currency from that of valuation are converted into the latter currency at the average exchange rate available on the day before the Calculation Date.

Where possible, income from investments, interest payable, expenses and other charges are valued on each Calculation Date. They will be added up to the end of the banking day prior to the related Calculation Date. Any commitment of the Fund according to the valuation made, in good faith, by the Management Company are taken into account.

In the case in which, due to exceptional events, it is not possible or suitable to determine the values according to the above rules, the Management Company is authorised to adopt other more suitable valuation criteria.

In the case of major subscription or redemption requests, the Management Company reserves the right to value the sub-fund unit in question on the basis of the price of the Stock Exchange session during which it was able to make the necessary purchases or sales of securities on behalf of the Fund. In this case, a single method of calculation is applied to subscription and redemption requests presented concurrently.

The net asset value of each sub-fund is available at the registered office of the Management Company and of the Depositary Bank.

## **SUSPENSION OF CALCULATION OF NET ASSET VALUE, OF THE ISSUE, REDEMPTION AND CONVERSION OF THE UNITS**

In prior agreement with the Depositary Bank, the Management Company is authorised to temporarily suspend calculation of the net asset value of the Fund or, where necessary, of one or more sub-funds, and the issue, conversion or redemption of the units of the Fund, or of one or more sub-funds, in the following cases:

- when one or more Stock Exchanges that provide the basis of valuation of a major part of one or more sub-funds assets or one or more markets in the currencies in which a major part of one or more sub-funds deposits is denominated are closed for different periods other than normal holiday periods or when trading is suspended, restricted or subject, in the short term, to major fluctuations;
- when the political, economic, military, monetary or social situation, strikes or circumstances of force majeure beyond the control of the Management Company, prevent reasonable and normal access to the assets of one or more sub-funds and such access would cause serious detriment to the unit holders;
- in the case of interruption of the means of communication normally used to determine the value of one or more sub-funds deposits or when, for any reason, it is not possible to know the value of an asset quickly enough and with the necessary precision;
- when exchange or capital transfer restrictions prevent transactions of one or more sub-funds, or when purchase or sale transactions of one or more sub-funds of the Fund cannot be carried out at normal exchange rates;
- in the case of redemption or of conversion orders exceeding 10% of the net assets of the sub-fund;
- in all cases in which the Management Company considers, for justified reasons, that such suspension is necessary to protect the general interests of unit holders.

In exceptional circumstances that may negatively affect the interest of the unit holders, the Management Company reserves the right to fix the value of a unit only after selling the necessary securities, as soon as possible, on behalf of the sub-fund. In this case, subscription, redemption and conversion instructions awaiting execution will be dealt with simultaneously according to the net value thus calculated.

The Management Company shall promptly notify its decision to suspend calculation of the net asset value, of the issue and redemption of the units to the Luxembourg Supervisory Authorities and to the authorities of the other countries in which the units are sold. The aforesaid suspension is notified to the public, as established in this prospectus in the chapter on "Information to subscribers of the units".

In the case in which the net asset value of a sub-fund is suspended, the possibility given by art. 10 of the Rules and permitting the transfer from one sub-fund to another, is also suspended.

Suspension of the calculation of the net asset value of one sub-fund does not have any effect on calculation of the net asset value of the other sub-funds.

## **DURATION OF THE FUND, WINDING UP, LIQUIDATION AND MERGING OF SUB-FUNDS**

The Fund is established without limits of duration and amount.

Liquidation and allotment of the Fund may not be requested by a unit holder or by his/her heirs or nominees.

The Management Company, with the prior agreement of the Depositary Bank, may decide to wind up the Fund in compliance with the law.

The Fund must be wound up in the cases established by law and if the assets of the Fund have been less than euro 1,250,000 for more than 6 months.

In case of winding up, the decision must be published in the Official Gazette of Luxembourg - *Recueil des Sociétés et Associations* and in at least two newspapers having suitable circulation, of which at least one is a Luxembourg newspaper.

The Management Company, as liquidator, liquidates the assets of the Fund, protecting the interests of the unit holders in the best possible way and instructs the Depositary Bank to allot the sums arising from liquidation, after deducting liquidation costs, amongst the unit holders. This allotment is made for each sub-fund, proportionally to the participation of the unit holders in each sub-fund. Amounts owing to units not claimed by holders at the end of the liquidation process are deposited at the "*Caisse de Consignation*" in Luxembourg. Except in the case of claims submitted prior to the expiry of the period of prescription (30 years), the amounts deposited as above can no longer be withdrawn.

Starting from the time of occurrence of the event resulting in the liquidation of the Fund, the issue of units is forbidden under penalty of cancellation.

Generally, the various sub-funds are established for an unlimited period. The Management Company of the Fund may decide to liquidate a sub-fund if its net assets are less than euro 1,250,000 or if such liquidation is justified by a change in the economic and political situation affecting that sub-fund. The liquidation decision will be published as indicated in the "INFORMATION TO SUBSCRIBERS OF THE UNITS" chapter and will indicate the reasons and method of liquidation. As soon as the decision to liquidate a sub-fund has been taken, the issue of units of such sub-fund will no longer be authorised. Assets not distributed to those entitled on the date of closing of the liquidation process of the sub-fund will be paid to the *Caisse de Consignation*.

In the same cases as those of a winding-up of a sub-fund, the Management Company may decide to merge (i) a sub-fund with another or with a sub-fund of another undertaking for collective investment in transferable securities (whether subject to Luxembourg law or not) or (ii) the Fund with another undertaking for collective investment in transferable securities (whether subject to Luxembourg law or not) in accordance with the provisions set out in the Law of 2010.

Furthermore, such merger may be decided by the Management Company in cases in which this is deemed to be in the interest of the unit holders of the sub-funds concerned. Such decision will be published (as provided in the case of liquidation of a sub-fund) and such publication will contain information regarding the new sub-fund. The decision shall be published at least one month prior to the



date of transfer to another sub-fund, so that unit holders may request, at no cost, the repurchase of their units before the transfer operation becomes effective.

## **DISTRIBUTION POLICY**

In the case in which distribution units have been issued, the Management Company will define each year the amount to be distributed whether corresponding to revenues or to capital of the sub-fund.

For each sub-fund, the portion of the income relating to capitalisation units will remain invested in the sub-fund concerned and will be added to the portion of the net assets corresponding to these units. If deemed in the interest of the participants, the Management Company reserves the right to distribute, occasionally, the net assets of the sub-fund(s) of the Fund to holders of capitalisation units.

In respect to the portion of the income related to the distribution units, it will be distributed, entirely or partially, in the form of a dividend, and the balance, if any, will be added to the portion of the net assets corresponding to the distribution units. The dividends payable to the unit holders of distribution units will be paid in the currency of valuation of the sub-fund.

The Management Company may distribute interim dividends to the participants. In any case, the assets of the Fund, following distribution, may not be less than euro 1,250,000.

## **FUND FEES AND EXPENSES**

The following expenses are borne by the Fund:

- a management fee, paid to the Management Company as a consideration for its activities, calculated on the average net asset value of the sub-fund during the relevant quarter. The percentage of the management fee is indicated in the "Sub-Fund schedules" (see chapter on "Available sub-funds"). The maximum management fee applied to the sub-funds of the Fund is 2%, unless the Sub-Fund schedule provides otherwise; the maximum fee applied to target funds not belonging to the same promoter will be 2%; for the share of assets invested in target funds of the same promoter, whomever is the manager, no fee shall be applied;
- when a sub-fund invests a major portion of its assets in other UCITS and/or in other UCI, the prospectus will indicate, in the schedules of the sub-funds concerned, the maximum management fees that may be applied to the sub-fund concerned and to the other UCITS and/or other UCI in which it intends to invest. The Annual Report of the Fund will indicate the maximum percentage of management fees paid in relation to the sub-fund concerned and for the UCITS and/or other UCI in which it invests;
- when a sub-fund invests in units of other UCITS and/or of other UCI of the same promoter, the manager, whoever he is, shall not charge subscription or redemption fees for investments of the sub-fund in units of other UCITS and/or of other UCI of the same promoter;

The Management Company may also apply a performance fee calculated on the positive difference between the net return of the sub-fund and the reference index during the relevant quarter and according to the methods detailed in the "Sub-Fund schedules" (see chapter on "Available sub-funds"). Such fee is payable whether the percentage change in the reference index and/or in the sub-fund performance during

the quarter is positive or negative. The percentage of the performance fee is indicated in the “Sub-Fund schedules” (see chapter on “Available sub-funds”).

- Operating expenses are paid by the Management Company;
- bank charges on portfolio transactions and related rights;
- extraordinary expenses such as expert opinions or lawsuits to protect the interests of the unit holders;
- Depositary Bank and Central Administration fees, defined in a joint agreement by the Management Company and by the Bank, according to practice in Luxembourg, payable at the end of each month and calculated on the average net assets. The fees payable to the Depositary Bank will not exceed 0.07% per annum of the average net assets of each sub-fund, and the fees payable to central administration will not exceed 0.05% per annum of the average net assets of each sub-fund;
- the costs associated with the management of financial risks, whether they are determined by the liabilities method or by a Value-at-Risk (“VAR”) model, including the production of risk management reports by external providers;
- fees payable to legal advisors and to Auditors;
- all and any taxes and dues payable on the assets and income of the Fund, in particular the annual *taxe d’abonnement* on the net assets of the Fund;
- certificates printing costs;
- the costs for preparing, printing and filing of administrative documents and certificates with any authority or institution;
- the costs for preparing, translating, printing, filing, distributing prospectuses, Key Investor Information Documents, periodical reports and other documents required in accordance with the law and the Rules;
- fees payable for registration and maintenance of the Fund with the authorities and the Stock Exchange;
- the cost of preparation, distribution and publication of notices to unit holders;
- any other similar administration and operating costs.

Advertising costs and expenses, other than those listed above, relating to the offer and distribution of the units are not paid by the Fund.

The specific expenses of each sub-fund are charged to the sub-fund that has generated them.

Where made necessary by the amount concerned, other expenses are allocated proportionally to the assets of the respective sub-funds.

The assets of a specific sub-fund are liable only for debts, commitments and obligations relating to such sub-fund. In relationships between unit holders, each sub-fund is considered as a separate entity.

## CO-MANAGEMENT

In order to reduce operating and administrative expenses, while at the same time permitting greater diversification of investments, the Board of Directors may decide that the assets of one or more sub-funds are co-managed entirely or in part with assets belonging to other sub-funds or other Luxembourg-domiciled UCIs. Below, the term "co-managed entities" will refer globally to the sub-funds of the Fund and all other entities with which a co-management arrangement exists and the term "co-managed assets" will refer to all the assets belonging to the same co-managed entity on the basis of the same co-management arrangement.

With regard to "co-management", the Management Company may take, for each co-managed entity, investment, disinvestment or portfolio adjustment decisions that will affect the composition of the portfolios of the individual sub-funds. Each co-managed entity will own a portion of the total co-managed assets corresponding to the proportion of its net assets in relation to the total value of the co-managed assets. This proportional holding shall be applicable to each and every line of portfolios held or acquired under co-management. In the case of investment and disinvestment decisions, these proportions shall not be affected, and additional investments shall be allotted to the co-managed entities in the same proportions, and assets sold shall be levied proportionately on the co-managed assets held by each co-managed entity.

In the case of new subscriptions in one of the co-managed entities, subscription proceeds will be allotted to the co-managed entities in accordance with the modified proportions resulting from the increase in the net assets of the co-managed entity that has benefited from the subscriptions, and all portfolio lines will be modified by transfer of assets from one co-managed entity to the other for adjustment of the modified proportions. Similarly, in the case of redemptions in one of the co-managed entities, the cash required may be taken from the cash held by the co-managed entities according to the modified proportions resulting from the reduction of the net assets of the co-managed entity to which the redemptions refer and, in such case, all lines of investment will be adjusted to the modified proportions. Unit-holders should be aware that, in the absence of any specific action by the competent entities of the Fund, as a result of the co-management arrangement, the composition of the assets of the sub-funds may be affected by events related to the other co-managed entities, such as subscriptions and redemptions. Thus, all things being otherwise equal, subscriptions in one of the entities with which a sub-fund is co-managed will entail a liquidity increase in that sub-fund. Conversely, redemptions in one of the entities co-managed with a sub-fund, will entail a liquidity decrease in the sub-fund concerned. However, subscriptions and redemptions may be held in a specific account of each co-managed entity outside the co-management arrangement and through which subscriptions and redemptions will pass systematically. Allocation of subscriptions and redemptions of a major amount to this specific account and the possibility for the competent entities of the Fund of deciding, at any time, to interrupt co-management will make it possible to reduce readjustment of the portfolios of the sub-funds in the case in which the latter are considered contrary to the interests of the unit-holders of the related sub-funds.

In the case in which a change in the composition of the portfolios of a sub-fund, made necessary by redemptions and payments of expenses related to another co-managed entity (i.e. not attributable to the sub-fund), may result in infringement of the related investments limits, the assets concerned will be excluded from co-management prior to application of the change, so that these are not affected by portfolio adjustments.

The co-managed assets will be managed jointly only with assets intended to be invested with the same objectives as the co-managed assets in order to ensure that investment decisions are fully compatible with the investment policies of the related sub-funds. The co-managed assets will be managed jointly only with assets for which the Depositary Bank also acts as depositary, in order to ensure that the Depositary is able to comply fully with its functions and responsibilities towards the Fund in accordance with the provisions of the Law of 2010. The Depositary Bank shall at all times guarantee strict segregation of the assets of the Fund from the assets of other co-managed entities and shall, therefore, be able at any time to identify the assets of the Fund. As certain co-managed entities may adopt investment policies which are not precisely identical to the investment policy of the sub-funds of the Fund, the joint policy applied may be more restrictive than that of the sub-funds concerned.

The Management Company may decide to interrupt co-management at any time without any prior notice.

Unit-holders may, at any time, apply to the registered office of the Management Company for information regarding the percentage of assets co-managed by each sub-fund and the entities with which co-management is applied at the time of the request for information. The periodic reports provide information regarding the composition and percentage of co-managed assets at the end of each annual or half-yearly period.

## **FINANCIAL YEAR AND AUDIT**

The financial year of the various sub-funds of the Fund and that of the Management Company ends on December 31 of each year.

The Annual Report containing the consolidated financial statements of the Fund is denominated in euro.

The accounting data of the Fund are verified by authorised auditors appointed by the Management Company.

At the moment, this appointment has been assigned to Ernst & Young Cabinet de revision agréé, 35E Avenue John F. Kennedy, L-1855 Luxembourg.

The same company is currently responsible for auditing the transactions and accounts of the Management Company.

## **INFORMATION TO SUBSCRIBERS**

The net asset value of the unit, the issue price and redemption price are made public in Luxembourg at the registered office of the Management Company and of the Depositary Bank, from the day following the valuation date of the sub-funds of the Fund. Furthermore, such information may be communicated using electronic communication means such as "Telekurs".

An Annual consolidated Report audited by an audit firm and a Half-Year Report, not necessarily audited, are published respectively within four and two months from the end of the related reference period. The

reports may be consulted by unit holders at the registered office of the Management Company, of the Depositary Bank, of appointed banks and institutions.

The Annual and Half-Year Reports are made available free of charge to participants who request them from the Management Company.

Amendments to the Rules come into force five days after publication in the Official Gazette of Luxembourg *Recueil des Sociétés et Associations* of a mention of the amendments being lodged with the Luxembourg Register of Companies, if provision is not otherwise made in the document amending the Rules.

Notices are sent to nominative unit holders at their addresses, as indicated in the register of holders, without prejudice to the provisions of the Law of 2010 and are also available at the registered office of the Management Company and of the Depositary Bank. The notices to unit holders may be published in one or more daily newspapers distributed in the countries where the units are placed.

## GOVERNING LAW

The Rules are governed by the laws of the Luxembourg.

Unit holder's claims against the Management Company or Depositary Bank will be prescribed five years from the date of the event that originated such claim.

The English version of this prospectus and of the Rules is the official version; however, the Management Company may consider translations into the languages of the countries in which the units are sold as binding on it and on behalf of the Fund, with reference to the units sold in the countries concerned.

## TAXATION

The Fund is regulated by the law in force in Luxembourg. Purchasers of units of the Fund are required to inform themselves directly regarding the legislation and rules applicable to the purchase, possession and, possibly, to the sale of units, according to their place of residence or their nationality. According to current legislation in Luxembourg, neither the Fund nor the participants, except for those domiciled, resident or with a stable establishment in Luxembourg, are liable to any tax whatsoever, at source or otherwise, on income, capital gains or wealth.

The net assets of the Fund are, however, liable to a Luxembourg tax at an annual rate of 0.05%, payable at the end of each quarter and calculated on the amount of the net assets of each sub-fund of the Fund at the end of each quarter. The portion of assets invested in other UCITS under Luxembourg law will be totally exempt from this tax. However, this annual rate will be reduced to 0.01% for the sub-fund(s) whose investment policy, defined in the "Available sub-funds" chapter, complies with the criteria of the Grand Ducal Regulation of 14 April 2003 in application of article 174 of the Law of 2010.

The following text is based on the law and on current practice adopted in the Grand Duchy of Luxembourg and is liable to amendment.

Under the law of 18 December 2015 implementing the EU Council Directive 2014/107/UE on administrative cooperation in the field of direct taxation (the “**DAC Directive**”) and the OECD Common Reporting Standard (the “**CRS**”) (the “**DAC Law**”), since 1st January 2016, except for Austria which will benefit from a transitional period until 1st January 2017, the financial institutions of an EU Member State or a jurisdiction participating to the CRS are required to provide to the fiscal authorities of other EU Member States and jurisdictions participating to the CRS details of payments of interest, dividends and similar type of income, gross proceeds from the sale of financial assets and other income, and account balances held on reportable accounts, as defined in the DAC Directive and the CRS, of account holders residents of, or established in, an EU Member State and certain dependent and associated territories of EU Member States or in a jurisdiction which has introduced the CRS in its domestic law.

Payment of interest and other income derived from the Units will fall into the scope of the DAC Directive and the CRS and are therefore be subject to reporting obligations.

Prospective investors should consult their own tax advisor with respect to the application of the DAC Directive and the CRS to such investor in light of such investors's individual circumstances. Investors are further invited to request information regarding applicable laws and regulations (i.e. any particular tax aspects or exchange regulations) of the countries of which they are citizens, or in which they are domiciled or resident and which may concern the subscription, purchase, holding and redemption of the Units.

The Fund reserves the right to refuse any subscription request if the information provided by the potential investor does not comply with the standards required by tax legislation or other applicable laws.

### **FATCA**

*In the present section, defined terms shall have the meaning ascribed to them in the Model I IGA unless otherwise specified herein.*

FATCA extends the Internal Revenue Code of the U.S. with a new chapter on “Taxes to enforce reporting on certain foreign accounts” and requires foreign financial institutions (“**FFI**”) such as the Fund to provide the Internal Revenue Service in the U.S. (the “**IRS**”) with information on certain U.S. Persons’ (as defined by FATCA) direct and indirect ownership of non-U.S. accounts and non-U.S. entities belonging to U.S. Persons. Failure to provide the requested information could lead to a 30% withholding tax applying to certain U.S. source income (including dividends and interests) and gross proceeds from the sale or other disposal of property that can produce U.S. source interest or dividends.

On 28 March 2014, Luxembourg and the United States of America have signed the intergovernmental agreement model 1 (“**Model I IGA**”) in order to enhance tax compliance and to implement FATCA in Luxembourg.

The Fund has chosen the status of sponsored entity and therefore its sponsoring entity will be responsible for the Fund's registration with the IRS.

Such registration shall be done at the latest of the following dates: 31 December 2015 or within ninety (90) days following the identification of a U.S. Reportable Account or of a Recalcitrant Account within the Fund.

In the meantime, the Fund shall not be registered with the IRS and shall not be subject to reporting obligations.

The sponsoring entity of the Fund is the Management Company, which registered itself for this purpose with the IRS.

The sponsoring entity will be responsible, on behalf of the Fund, to proceed with any registration, due diligence, reporting and withholding requirements pursuant to FATCA. The investors of the Fund therefore recognise and accept that the information relating to the financial accounts held by U.S. Persons or by non-U.S. entities belonging to U.S. Persons shall be communicated to the Luxembourg tax authorities, which shall in their turn forward such information to the IRS.

However, the Fund's ability to avoid the withholding taxes under FATCA may not be within its control and may, in some cases, depend on the actions of an intermediary or other withholding agents in the chain of custody, or on the FATCA status of the Investors or their beneficial owners.

Any withholding tax imposed on the Fund would reduce the amount of cash available to pay all of its Investors and such withholding may be allocated disproportionately to a particular sub-fund.

In addition, the Fund shall remain the sole responsible for any failure to meet its obligations under FATCA which has been caused by its sponsoring entity.

**There can be no assurance that a distribution made by the Fund or that assets held by the Fund will not be subject to withholding. Accordingly, all prospective investors including non-U.S. prospective investors should consult their own tax advisors about whether any distributions by the Fund may be subject to withholding.**

## FILING OF DOCUMENTS

The following documents are filed at the registered office of the Management Company where they may be consulted:

1. Prospectus and Key Investor Information Document
2. Articles of Association of the Management Company
3. Management Rules
4. Any amendments made to these documents
5. The most recent Annual and Half-Year Reports of the Fund
6. Deposit and central administration agreements between the Management Company and CACEIS Bank, Luxembourg Branch.

A copy of the documents indicated in points 1, 2, 3, 4 and 5 above may be obtained from the registered office of the Management Company.

## INVESTMENT LIMITS

The investments of each sub-fund of the Fund must comply with the following rules:

1. Each sub-fund may invest in:
  - A. transferable securities and money market instruments officially listed on a Stock Exchange of a Member State of the European Union or of the Organization for Economic Development and Cooperation, of Asia, Oceania, America and Africa;
  - B. transferable securities and money market instruments traded on another regulated market of a State specified in point A, which operates regularly, is recognized and open to the public;
  - C. newly-issued transferable securities and money market instruments provided that:
    - the terms of the issue require that an application be made for official listing on a Stock Exchange as set forth in point A or on another market as specified in point B;
    - admission is obtained by and no later than one year from the starting date of the issue;
  - D. units of UCITSs authorised pursuant to UCITS Directive and/or of other UCIs pursuant to article 1, paragraph (2), indents a) and b) of UCITS Directive, whether or not located in a Member State of the European Union, provided that:
    - such other UCI are authorised in accordance with a legislation specifying that such undertakings are subject to a supervision considered by the CSSF to be equivalent to that provided in Community legislation and that cooperation between the authorities is sufficiently guaranteed;
    - the level of protection given to unit-holders in these other UCI is equivalent to that provided for holders of units in UCITS and, in particular, provided that the rules on the division of assets, lending and borrowings, short sale of securities and of money market instruments are equivalent to those of UCITS Directive;
    - the activities of these other UCI are subject to Half-Year and Annual Reports allowing valuation of assets and liabilities, profits and operations during the period concerned;
    - the percentage of assets belonging to those UCITS or other UCI that are considered for purchase which, pursuant to their Articles of Association, may be invested in units of other UCITS or other UCI, does not exceed 10%;
  - E. deposits with credit institutions which are repayable on demand or may be withdrawn and maturing in no more than 12 months, provided that the credit institution has its registered office in a Member State of the European Union and/or, if the registered office of the credit institution is in a third country, in an OECD or GAFI country;
  - F. financial derivative instruments, including equivalent instruments that are settled in cash, traded on a regulated market of the type specified in points A) and B) above and/or financial derivative instruments traded over the counter (OTC derivatives), in compliance with the following conditions of art. 41 (1) (g) of the Law of 2010:



- the underlying security consists of instruments subject to the above paragraphs, of financial indices, interest rates, foreign exchange rates or currencies in which the sub-fund may invest according to its investment objectives, as laid down in the basic documents of the UCITS;
- the counterparties to OTC derivatives are institutions subject to a prudent supervision and belong to the classes approved by the CSSF;
- OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can, at the initiative of the sub-fund, be sold, liquidated or closed by an offsetting transaction at any time at their fair value;

G. money market instruments other than those traded on a regulated market if the issuer or issuer of these instruments is itself regulated for the purpose of protecting investors and savings and provided that these instruments comply with the following conditions of article 41 (1) (h) of the Law of 2010, that is to say:

- issued or guaranteed by a central, regional or local administration, by a central bank of a Member State, by the European Central Bank, the European Union or by the European Investment Bank, by a State that is not a member of the European Union or, in the case of a Federal State, by one of the members of the federation or by an international public body of which one or more Member States is a member;
- issued by a company whose securities are traded on the regulated markets specified in points A) and B) above;
- issued or guaranteed by an institution subject to prudential supervision according to the criteria defined by Community law or by an institution that is subject to and complies with prudential rules considered by the CSSF as at least as stringent as those laid down in Community legislation;
- issued by other bodies belonging to classes approved by the CSSF, insofar as investments in these instruments are subject to investor protection rules equivalent to those laid down in the first, second and third indents and that the issuer is a company whose capital and reserves amount to at least ten million euro and which presents and publishes its annual accounts pursuant to the fourth Directive 78/660/EEC or a body which, within a group of companies including one or more listed companies, is dedicated to the financing of the group or a body dedicated to financing securitisation vehicles benefiting from a bank credit line.

2. However:

Each sub-fund of the Fund may invest up to maximum 10% of its assets in transferable securities and money market instruments other than those established in point 1.

No sub-fund of the Fund may purchase precious metals or representative certificates thereof.

Each sub-fund may hold cash, on a residual basis. "Residual" shall mean less than 50% of the sub-fund NAV. The sub-funds may exceed this threshold on a temporary basis..

3. 1) Each sub-fund may not invest more than 10% of its net assets in transferable securities or in money market instruments of the same issuer. A sub-fund may not invest more than 20% of

its net assets in deposits with the same body. The counterparty risk of the sub-fund on an OTC derivative transaction may not exceed 10% of its net assets when the counterparty is one of the credit institutions indicated in point 1.F, or 5% of its net assets in other cases;

2) The total amount of transferable securities and of money market instruments held by each sub-fund in issuers in each of which it invests more than 5% of its net assets may not exceed 40% of the value of the net assets of the sub-fund. This limit does not apply to deposits with financial institutions subject to prudential supervision and to OTC derivative transactions with these institutions.

Notwithstanding the individual limits established in paragraph (1), no sub-fund may combine:

- investments in securities or money market instruments issued by one and the same issuer,
- deposits at the same issuer, and/or
- risks deriving from OTC derivative transactions, which account for more than 20% of its assets.

3) The limit established in paragraph 1), first sentence may be maximum 35% when the securities or money market instruments are issued or guaranteed by an EU Member State, by its public territorial authorities, by a non-EU State or by international public institutions to which one or more EU Member States belong.

4) The limit established in paragraph 1) first sentence may be maximum 25% for bonds issued by credit institutions having their registered office in an EU Member State and which are subject by law to special public supervision to protect bond-holders. In particular, sums deriving from the issue of such bonds must be invested, in conformity with the law, in assets which, during the entire period of validity of the bonds, are capable of covering financial commitments tied to such bonds and which, in the event of default of the issuer, would be used on a priority basis for reimbursement of the principal and payment of accrued interest.

If a sub-fund invests more than 5% of its net assets in bonds described in the first subparagraph and issued by a single issuer, the total value of such investments may not exceed 80% of the value of the net assets of the sub-fund concerned.

5) The transferable securities and money market instruments referred to in paragraphs 3) and 4) are not taken into account for the application of the limit of 40% specified in paragraph 2).

The limits established in paragraphs 1), 2), 3) and 4) are not cumulative; therefore, investments in transferable securities or in money market instruments of the same issuer, in deposits or in derivatives made with such issuer in accordance with paragraphs 1), 2), 3) and 4) may not exceed a total of 35% of the net assets of the sub-fund.

The same UCI may invest cumulatively up to 20% of its net assets in securities or money market instruments of the same group.

**In waiver of article 43 of the Law of 2010, the CSSF may authorise a UCITS to invest, for each sub-fund, according to the principle of diversification of risks, up to 100% of its net assets in various issues of securities and money market financial instruments, issued or guaranteed by a Member**

**State of the European Union, by its public territorial authorities, by a Member state of the OECD, by international public institutions to which one or more EU Member States belong.**

**The CSSF will grant such authorisation only if it does consider that the participants of the various sub-funds enjoy equivalent protection to that guaranteed to the participants of the various sub-funds that comply with the limits indicated in articles 43 and 44 of the Law of 2010.**

**These sub-funds must hold securities belonging to at least six different issues and securities belonging to one and the same issue may not exceed 30% of the total amount.**

4. Each sub-fund may purchase units of UCITSs and/or of other UCIs as indicated in paragraph 1. D) provided that it does not invest more than 20% of its net assets in the same UCITS or other UCI. Investments in units of UCIs that are not UCITSs shall not exceed, in total, 30% of net assets of the sub-fund.
5. When a sub-fund invests in the units of other UCITSs and/or other UCIs that are managed, directly or by delegation by the same management company or by any other company with which the Management Company is connected in a management or control community or by a sizeable direct or indirect stake, said Management Company or the other company may not invoice subscription or reimbursement rights for the investment of the sub-fund in the units of other UCITSs and/or other UCIs.
6. Any sub-fund (the "**Feeder UCITS**") may invest permanently at least 85% of its net assets in units of one single UCITS or in units of one single sub-fund of a UCITS (the "**Master UCITS**") in compliance with the provisions of the Law of 2010.

In such case, the Feeder UCITS may hold up to 15% of its assets in one or more of the following:

- liquid assets,
  - financial derivative instruments, which may be used only for hedging purposes,
  - movable and immovable property which is essential for the direct pursuit of its business, if the feeder UCITS is an investment company.
7. A Management Company may not acquire voting shares that enable it to exert considerable influence on the management of an issuer, for all the mutual funds that it manages and which fall under the scope of part I of the Law of 2010.
  8. The Fund may not purchase more than:
    - 10% of shares without voting rights of the same issuer;
    - 10% of bonds of the same issuer;
    - 25% of units of the same UCITS and/or other UCI;
    - 10% of money market instruments of the same issuer.

The limits defined in the second, third and fourth indent may be disregarded at the time of acquisition if at such time the gross amount of the bonds or of the money market instruments or the net amount of the securities issued cannot be calculated.

9. The sub-funds may borrow up to 10% of their net assets provided these are temporary borrowings.
10. a) Without prejudice to the application of points 1 and 2, credits may not be granted nor guarantees be given for the account of third parties by the Management Company or the Depository Bank acting on behalf of the Mutual Fund.
- b) Paragraph a) does not constitute an obstacle to the acquisition, by the undertakings in question, of transferable securities, money market instruments or other financial instruments referred to in point 1, paragraphs D), F) and G), that are not fully paid up.
11. The Management Company may not proceed to short sales of transferable securities, monetary market instruments or other financial instruments mentioned in 1, paragraphs D), F) and G).
12. A Sub-Fund may subscribe, acquire and / or hold units to be issued or issued by one or more Sub-Funds of the Fund with respect to the subscription, acquisition and/or the holding by a company of its own shares, under the condition, however, that:
- The target Sub-Fund does not, in turn, invest in the Sub-Fund invested in this target Sub-Fund;
  - No more than 10% of the assets that the target Sub-Fund whose acquisition is contemplated may be invested in units of other target Sub-Funds of the Fund; and
  - Voting rights, if any, attaching to the relevant units are suspended for as long as they are held by the Sub-Fund concerned and without prejudice to the appropriate processing in the accounts and the periodic reports; and
  - In any event, for as long as these units are held by the Sub-Fund, their value will not be taken into consideration for the calculation of the net assets of the Fund for the purposes of verifying the minimum threshold of the net assets imposed by this law.
- **Risk management methods and global risk tied to derivative instruments:**

With regard to the Fund, the Management Company must use a risk management process which enables it to monitor and measure, at all times, the risk of the positions and their contribution to the overall risk profile of each sub-fund.

Certain sub-funds may employ SFT and TRS (as these terms are defined under section "Financial Techniques and Instruments") for reducing risks (hedging), generating additional capital or income or for cost reduction purposes. Any use of SFT and TRS for investment purposes will be in line with the risk profile and risk diversification rules applicable to any sub-funds. SFT include the transactions specified in section "Financial Techniques and Instruments". Investors should refer to the risk factors for special risk considerations applicable to the use of SFT and TRS.

With regard to the Fund, the Management Company must employ, where applicable, a method for accurate and independent assessment of the value of OTC derivative instruments.

## FINANCIAL TECHNIQUES AND INSTRUMENTS

Without prejudice to what may be stipulated for one or more particular sub-fund, the Fund is authorised, for each sub-fund, to use securities financing transactions (“**SFT**”) as described in section “SFT and TRS” hereunder and derivative instruments relating to transferable securities and money market instruments, according to the methods set forth below and provided that such techniques and instruments are used for the purpose of efficient portfolio management in compliance with CSSF’s Circular 14/592 relating to ESMA Guidelines on ETFs and other UCITS issues (the “**CSSF’s Circular 14/592**”) and with EU Regulation 2015/2365 on transparency of securities financing transactions and of reuse of 25 November 2015 (“**SFTR**”).

The Fund shall also ensure that the global risk relating to derivative instruments does not exceed the total net value of its assets.

Risks are calculated taking into account the current value of the underlying assets, counterparty risk, foreseeable future market movements and the time available to liquidate positions. This shall also apply to the following paragraphs.

The Fund may invest, within the framework of its investment policy and within the limits laid down in this prospectus, in financial derivative instruments provided that the risks to which the underlying assets are exposed does not exceed, in aggregate, the investment limits laid down in this prospectus.

When the Fund invests in index-based financial derivative instruments, these investments do not necessarily have to be combined with the limits laid down in paragraph 3 of the investment limits of this prospectus.

When a security or money market instrument includes a derivative, the latter must be taken into account when complying with the requirements described here. The Fund may not, in any case, diverge from its investment objectives as set forth in the Rules and in this prospectus.

Under no circumstances shall these operations result in a change of the declared investment objective of the relevant sub-fund as laid down in this prospectus or add substantial supplementary risks in comparison to the stated risk profile of such sub-fund.

All revenues arising from efficient portfolio management techniques (including, for the avoidance of doubt, SFT and TRS, as these terms are further defined below), net of direct and indirect operational costs/fees, will be returned to the Fund. In particular, fees and cost may be paid to agents of the Management Company and other intermediaries providing services in connection with efficient portfolio management techniques as normal compensation of their services. Such fees may be calculated as a percentage of gross revenues earned by the Fund through the use of efficient portfolio management techniques. Information on direct and indirect operational costs and fees that may be incurred in this respect as well as the identity of the entities to which such costs and fees are paid – as well as any relationship they have with the Depository Bank or Management Company - will be available in the annual report of the Fund, if applicable.

To assure efficient portfolio management, the Fund and/or each sub-fund may carry out the following operations.

## **1. Transactions relating to options on transferable securities**

The Fund and/or each sub-fund may buy and sell both call and put options provided that such options are traded on a regulated market, regularly functioning, recognised and open to the public and/or “over-the-counter”. When engaging in such transactions, the Fund and/or each sub-fund must comply with the following rules:

### **1.1. Rules applicable to the purchase of options**

The aggregate of the premiums paid to buy the call and put options referred to here, together with the aggregate of the premiums paid to purchase call and put options referred to under point 3 below may not exceed 15% of the net asset value of each sub-fund.

### **1.2. Rules designed to hedge financial commitments resulting from option dealings**

When selling call options, the Fund and/or each sub-fund concerned must hold the underlying securities, or equivalent call options or other instruments that can provide adequate cover for the commitments resulting from the contracts concerned, such as warrants. Securities underlying call options sold may not be sold during the life of those options unless they are covered by options of the opposite sense or by other instruments that may be used for such purpose. The same applies to equivalent call options or to other instruments which the Fund and/or each sub-fund concerned is required to hold if it does not own the underlying securities at the time the relevant options are sold.

Notwithstanding that rule, the Fund and/or each sub-fund may sell call options relating to securities it does not possess at the time of conclusion of the option contract if the following conditions are met: (a) the strike price of the call options thus sold may not exceed 25% of the net asset value of each sub-fund; (b) the Fund and/or each sub-fund must be in a position at any time to guarantee cover for the positions taken within the context of those sales. When selling put options, the Fund and/or each sub-fund must hold, throughout the tenor of the option contract, the amount of cash that may be necessary to pay for the securities delivered to it, in the event the counterparty exercises its option.

When the Fund and/or each sub-fund sell uncovered call options, they are exposed to a theoretically unlimited risk of loss. When selling put options, the Fund and/or each sub-fund is exposed to a risk of loss in the case in which the price of the underlying securities falls below the strike price, less the premium paid.

### **1.3. Conditions and restrictions on the sale of call and put options**

The aggregate of the commitments resulting from the sale of call options and from the sale of put options (excluding sale of call options for which the Fund and/or each sub-fund concerned is adequately covered), together with the aggregate of the commitments resulting from the transactions referred to in point 3 below, may at no time exceed the net asset value of the Fund and/or each sub-fund. In this context, the commitments resulting from sold put and call option contracts are equal to the aggregate of the market prices of the securities underlying the options.

## **2. Transactions relating to future contracts on financial instruments and currencies and on options on such contracts**

The transactions referred to here may concern contracts which are traded on a regulated market, regularly functioning, recognised and open to the public and/or traded “over-the-counter”.

### **2.1. Transactions intended to hedge risks associated with stock market trends**

In order to provide overall protection against the risk of stock market downturns, the Fund and/or each sub-fund may sell financial futures on stock market indices. For the same purpose, it may also sell call options or buy put options on stock market indices. Since these transactions are intended to hedge risks, there must be a sufficiently close relationship between the composition of the index used and that of the corresponding portfolio. In principle, the aggregate of all commitments regarding forward contracts and stock market index-based option contracts must not exceed the total value of the securities held by the Fund and/or each sub-fund in the market corresponding to that index.

### **2.2. Transactions intended to hedge risks related to interest rate fluctuations**

In order to provide overall protection against the risks of interest rate fluctuations, the Fund and/or each sub-fund may sell interest rate futures. For the same purpose, it may also sell call options or buy put options on interest rates or enter into interest rate swaps as part of “over-the-counter” transactions with first class financial institutions specialising in this type of operation. In principle, the aggregate of commitments regarding financial futures, option dealings and interest swaps must not exceed the total value of the assets to be hedged held by the Fund and/or each sub-fund, in the currency of the contracts concerned.

### **2.3. Transactions intended to hedge risks related to exchange rate fluctuations**

In order to provide overall protection against foreign exchange rate fluctuations, the Fund and/or each sub-fund may engage in transactions to sell forward currency contracts. For the same purpose, it may sell/buy call options or put options on currencies. The transactions referred to here are contracts traded on a regulated market which functions regularly and is recognised and open to the public or “over-the-counter” transactions with first class financial institutions specialising in this type of operation.

In principle, the aggregate of commitments regarding financial futures, options contracts may not exceed the total value of the assets to be hedged, held by the Fund and/or each sub-fund in the currency of the contracts in question.

## **3. Transactions for purposes other than hedging**

For purposes other than hedging but, nevertheless, for the purpose of efficient portfolio management, the Fund and/or each sub-fund may buy and sell futures contracts and options on all types of securities and financial instruments, including currencies provided that the aggregate of the commitments resulting from such purchases and sales, together with the aggregate of the commitments resulting from sales of call options and sales of put options on transferable securities, financial instruments and currencies at no time exceeds the net asset value of the Fund and/or of each sub-fund.

All transactions on transferable securities, financial instruments and currencies intended to hedge risks and for which the Fund and/or each sub-fund is adequately covered are not taken into account when calculating the aggregate financial commitments referred to in this prospectus.

It should be noted that the aggregate of the premiums paid for the acquisition of the call and put options referred to here, together with the aggregate of the premiums paid for the acquisition of the call and put options on securities referred to under point 1.1 above, may not exceed 15% of the net asset value of each sub-fund.

Accordingly, financial commitments resulting from operations that do not relate to options on transferable securities are assessed as follows: (a) the commitment resulting from futures contracts is equal to the settlement value of the net positions of contracts relating to financial instruments with identical underlying asset, after set-off between buying and selling positions, without taking their respective maturity dates into account; (b) the commitment resulting from option contracts bought and sold is equal to the aggregate of the strike prices of the options making up the net selling positions related to the same underlying asset, without taking into account their respective maturity dates.

Each sub-fund may, where envisaged by the respective schedule of the sub-fund, invest in "derivatives on commodity indices" provided that the commodity index:

- is sufficiently diversified,
- represents an adequate benchmark for the market to which it refers,
- is published in an appropriate manner.

#### **4. Credit Default Swaps (CDS)**

Each sub-fund may use Credit Default Swaps ("**CDS**"). A CDS is a bilateral financial contract according to which one counterparty (the protection buyer) pays a periodic fee in return for a contingent payment by the protection seller upon the occurrence of a credit event affecting the reference issuer. The protection buyer must either sell specific bonds issued by the reference issuer at their par value (or at other pre-established references or strike price) when a credit event occurs, or receive a cash payment based on the difference between the market price and the reference price or strike price. A credit event is usually defined as bankruptcy, insolvency, winding up ordered by a court, a legal settlement, a rescheduling of the debt or a failure to comply with scheduled repayment obligations. The ISDA (International Swaps and Derivatives Association) has issued standard documentation for this type of transactions, the "ISDA Master Agreement".

Each sub-fund may use CDS to hedge the risk of a specific credit related to the issuers in its portfolio, by purchasing a protection.

Furthermore, each sub-fund may, provided this is in the exclusive interest of its unit holders, purchase CDS protection without holding the underlying securities, provided that the aggregate of the premiums paid together with the present value of the aggregate of the premiums outstanding on CDS purchased previously and the aggregate of the premiums paid in respect to the purchase of options on securities or on financial instruments for a purpose other than hedging, may not, in any case, exceed 15% of the net assets of the sub-fund concerned.



In the exclusive interest of unit holders, each sub-fund may sell the protection of a CDS, in order to acquire a specific credit exposure.

Each sub-fund may engage in CDS transactions with leading financial institutions specialised in operations of this type and only in accordance with the standard terms established by the ISDA. Furthermore, the use of CDS must comply with the investment objectives, policy and risk profile of the sub-fund concerned.

The aggregate commitments deriving from the use of CDS together with the aggregate commitments deriving from the use of other derivative instruments may not, in any case, exceed the net asset value of the sub-fund concerned.

Each sub-fund will ensure that it has, at any time, the assets necessary to pay the proceeds of the repurchase resulting from repurchase requests and also that it complies with its obligations deriving from CDS and other techniques and instruments.

Each sub-fund may not:

- invest more than 10% of its net assets in transferable securities not listed on a stock exchange or not traded on another regulated market, regularly functioning, recognised and open to the public;
- purchase more than 10% of securities of the same type issued by the same issuer;
- invest more than 10% of its net assets in securities of the same issuer.

The above investment limits apply to CDS issuers and also the final debtor risk of the CDS (“underlying”).

If this type of transaction is used in order to eliminate the credit risk of the issuer of a security, this means that the Management Company, on behalf of the Fund, bears a counterparty risk that refers to the protection seller.

However, this risk is reduced by the fact that the Management Company will engage in CDS operations on behalf of the Fund only with first-class financial institutions.

CDS used for a purpose other than hedging, such as an efficient portfolio management, may entail a liquidity risk if this position must be paid prior to its maturity, for any reason. The Management Company, on behalf of the Fund, will reduce this risk by limiting in a suitable way the use of this type of transaction.

Lastly, valuation of CDS may give rise to the usual difficulties that characterise the valuation of «over-the-counter» contracts.

Notwithstanding the above and in compliance with the CSSF circular 14/592:

- the Fund may enter into OTC derivatives contracts with counterparties that are financial institutions subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by Community law and specialized in this type of transactions.
- financial institutions involved in OTC transactions are carefully selected and the resulting counterparty risk is subject to appropriate monitoring and control in the context of the risk management process.

- the fund managers will never enter into a swap contract with a counterparty that may assume a discretion over the composition or management of the UCITS' investment portfolio or over the underlying of the financial derivative instruments.

## 5. **SFT and TRS**

### 5.1 **General provisions related to SFT and Total Return Swaps ("TRS")**

The Fund may make use of TRS and of the following SFT:

- securities lending and borrowing;
- repurchase transactions;
- buy-sell back transactions;
- sell-buy back transactions;
- margin lending transactions.

"Securities lending" or "securities borrowing" means a transaction by which a counterparty transfers securities subject to a commitment that the borrower will return equivalent securities on a future date or when requested to do so by the transferor, that transaction being considered as securities lending for the counterparty transferring the securities and being considered as securities borrowing for the counterparty to which they are transferred.

"Repurchase transaction" means a transaction governed by an agreement by which a counterparty transfers securities or guaranteed rights relating to title to securities where that guarantee is issued by a recognised exchange which holds the rights to the securities and the agreement does not allow a counterparty to transfer or pledge a particular security to more than one counterparty at a time, subject to a commitment to repurchase them, or substituted securities of the same description at a specified price on a future date specified, or to be specified, by the transferor, being a repurchase agreement for the counterparty selling the securities and a reverse repurchase agreement for the counterparty buying them.

The Fund and any sub-funds may further enter into swap contracts relating to any financial instruments or indices, including TRS. Total return swaps involve the exchange of the right to receive the total return, coupons plus capital gains or losses, of a specified reference asset, index or basket of assets against the right to make fixed or floating payments. As such, the use of TRS or other derivatives with similar characteristics allows gaining synthetic exposure to certain markets or underlying assets without investing directly (and/or fully) in these underlying assets. While the entry into TRS is possible, it is currently not contemplated.

The Fund or any of its delegates will report the details of any SFT and TRS concluded to a trade repository or ESMA, as the case may be in accordance with the SFTR. SFT and TRS may be used in respect of any instrument that is eligible under article 50 of the UCITS Directive.

The assets that may be subject to SFT and TRS are limited to:

- short term bank certificates or money market instruments such as defined within Directive 2007/16/EC of 19 March 2007 implementing Council Directive 85/611/EEC on the coordination of laws, regulations and administrative provisions relating to certain UCITS as regards the clarification of certain definitions ;
- bonds issued or guaranteed by a Member State of the OECD or by their local public authorities; or by supranational institutions and undertakings with EU, regional or world-wide scope ;

- shares or units issued by money market UCIs calculating a daily net asset value and being assigned a rating of AAA or its equivalent ;
- bonds issued by non-governmental issuers offering an adequate liquidity ;
- shares quoted or negotiated on a regulated market of a European Union Member State or on a stock exchange of a Member State of the OECD, on the condition that these shares are included in a main index.

### **Use of SFT and TRS**

The maximum proportion of assets under management of the sub-funds that can be subject to SFT and TRS is as follows:

- Securities lending, securities borrowing, repurchase agreement, buy-sell back transactions, sell-buy back transactions, margin lending transactions: the Fund does not expect to use these kinds of SFT if not disclosed in the relevant sub-fund schedule;
- TRS: the Fund does not expect to use TRS if not disclosed in the relevant sub-fund schedule.

The counterparties to the SFT and TRS will be selected on the basis of very specific criteria taking into account notably their legal status, country of origin, and provided that they have a minimum credit rating above investment grade. The Fund will therefore only enter into SFT and TRS with such counterparties that are subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by EU law and approved by the board of directors of the Management Company, and who are based on a regulated market of a European Union Member State or on a stock exchange of a Member State of the OECD.

The Fund will collateralize its SFT and TRS pursuant to the provisions set forth hereunder in section "Management of collateral".

The risks linked to the use of SFT and TRS as well as risks linked to collateral management, such as operational, liquidity, counterparty, custody and legal risks and, where applicable, the risks arising from its reuse are further described in section "Risk Warnings" of the prospectus.

Assets subject to SFT and TRS will be safe-kept by the Depositary.

### **5.2 Securities lending and repurchase transactions**

Subject to the conditions set forth under the "Management of Collateral and collateral policy" in section 6. below, the Fund may employ techniques and instruments relating to transferable securities and money market instruments provided that such techniques and instruments are used for efficient portfolio management purposes or to provide protection against risk.

In particular and to the extent permitted by, and within the limits of, the investment policy of the relevant sub-fund, the Law of 2010 and any related Luxembourg law or any other regulation in force, circulars and positions of the CSSF and, in particular, the provisions of (i) Article 11 of the Grand Ducal regulation of February 8, 2008 relating to certain definitions of the amended Law of December 20, 2002 relating to undertakings for collective investment and (ii) CSSF Circular 08/356 relating to rules applicable to undertakings for collective investment when they employ certain techniques and instruments relating to transferable securities and money market instruments (as amended or replaced from time to time) and

CSSF's Circular 14/592, each sub-fund can, in order to generate capital or additional income or to reduce costs or risk (A) enter into repurchase transactions, either as a buyer or a seller, and (B) engage in securities lending transactions.

When the use of these techniques and instruments is permitted in relation to a specific sub-fund, the relevant section of the sub-fund will disclose such use.

The Fund and/or each sub-fund may lend securities only in the framework of a standardised lending system organised by a recognised security clearing body or by a first-class financial institution specialising in this type of operation. When entering into such lending transactions, the Fund and/or each sub-fund must in principle receive a collateral.

Lending transactions may not be entered into for more than 50% of the total value of the securities held in the portfolio of a sub-fund. Such limitation shall not apply if the Fund and/or each sub-fund has the right at any time to terminate the contract and recover immediately the securities lent. Lending transactions may not exceed a period of 30 days.

Unless provided otherwise in the "AVAILABLE SUB-FUNDS" chapter, the Fund and/or each sub-fund may occasionally engage in repurchase transactions, which consist in purchases and sales of securities whose clauses envisage the seller's right to repurchase the securities from the buyer at such price and term as agreed between the two parties at the time the contract is concluded.

The Fund and/or each sub-fund may engage in repurchase transactions either as buyer or seller.

Repurchase agreement and reverse repurchase agreements will generally be collateralized as further described hereunder in section "Management of collateral", at any time during the lifetime of the agreement, at least their notional amount.

Nevertheless, its participation in such transactions shall be subject to the following rules: (a) the Fund and/or each sub-fund may buy or sell repurchasable securities only if the counterparties to such transactions are first-class financial institutions specialising in this type of transaction; and (b) throughout the duration of a contract for the purchase of repurchasable securities, the Fund and/or each sub-fund may not sell the securities to which the contract relates before the counterparty has exercised its right to repurchase the securities or before the period within which such right has to be exercised has expired. The Fund and/or each sub-fund must seek to keep repurchase transactions at such a level as to enable it at all times to meet its repurchase obligations.

The Fund involvement in such transactions is, however, subject to the additional following rules:

- the counterparty to these transactions must be subject to prudential supervision rules considered by the regulatory authority as equivalent to those prescribed by EU law;
- the Fund may only enter into reverse repurchase agreement and/or repurchase agreement transactions provided that it is able at any time (a) to recall the full amount of cash in a reverse repurchase agreement or any securities subject to a repurchase agreement or (b) to terminate the agreement in accordance with applicable regulations.

However, fixed-term transactions that do not exceed seven days should be considered as arrangements on terms that allow the assets to be recalled at any time by the Fund.

### 5.3 TRS

When entering into Total Return Swaps or TRS arrangements, which for sake of clarity, also need to comply with the provisions applicable to TRS under the SFTR, or investing in other derivative financial instruments having similar characteristics to TRS, the Fund must respect the limits of diversification referred to in Articles 43, 44, 45, 46 and 48 of the Law of 2010. Likewise, in accordance with Article 42 (3) of the Law of 2010 and Article 48 (5) of CSSF Regulation 10-4, the Fund must ensure that the underlying exposures of the TRS (respectively other similar financial instrument) are taken into account in the calculation of the investment limits laid down in Article 43 of the Law of 2010.

The Management Company may not enter into swap transactions unless it ensures that the level of its exposure to the swaps is such that it is able, at all times, to have sufficient liquid assets available to meet its redemption obligations and the commitments arising out of such transactions

The counterparties will be leading financial institutions specialised in this type of transaction and subject to prudential supervision. These counterparties do not have discretionary power over the composition or management of the investment portfolio of the sub-fund or over the underlying assets of the derivative financial instruments.

Combined risk exposure to a single counterparty may not exceed 10% of the respective sub-fund assets when the counterparty is a credit institution referred to in article 41 paragraph (1) (f) of the Law of 2010 or 5% of its assets in any other cases.

The rebalancing frequency for an index that is the underlying asset for a financial derivative is determined by the provider of the index in question.

The TRS and other derivative financial instruments that display the same characteristics shall confer to the Fund a right of action against the counterparty in the swap or in the derivative financial instrument, and any eventual insolvency risk of the counterparty may make it impossible for the payments envisioned to be received.

The total commitment arising from total return swap transactions of a particular sub-fund shall be the market value of the underlying assets used for such transactions at inception.

The net exposure of total return swap transactions in conjunction with all exposures resulting from the use of options, interest rate swaps and financial futures may not in respect of each sub-fund exceed at any time the Net Asset Value of such sub-fund.

The total return swap transactions to be entered into will be marked to market daily using the market value of the underlying assets used for the transaction in accordance with the terms of the swap agreement.

Typically investments in total return swap transactions will be made in order to adjust regional exposures, limit settlement and custodian risks as well as repatriation risk in certain markets and to avoid costs and expenses related to direct investments or sale of assets in certain jurisdictions as well as foreign exchange restrictions.

Furthermore, the Fund may, for efficient portfolio management purposes, exclusively resort to securities lending and borrowing and repurchase agreement transactions, provided that the rules described herebelow are complied with.

***Risks related to securities lending and repurchase transactions***

In relation to repurchase transactions, investors must notably be aware that (A) in the event of the failure of the counterparty with which cash of a sub-fund has been placed there is the risk that collateral received may yield less than the cash placed out, whether because of inaccurate pricing of the collateral, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (B) (i) locking cash in transactions of excessive size or duration, (ii) delays in recovering cash placed out, or (iii) difficulty in realising collateral may restrict the ability of the sub-fund to meet redemption requests, security purchases or, more generally, reinvestment; and that (C) repurchase transactions will, as the case may be, further expose a sub-fund to risks similar to those associated with optional or forward derivative financial instruments, which risks are further described in other sections of the prospectus.

In relation to securities lending transactions, investors must notably be aware that (A) if the borrower of securities lent by a sub-fund fail to return these there is a risk that the collateral received may realise less than the value of the securities lent out, whether due to inaccurate pricing, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (B) in case of reinvestment of cash collateral such reinvestment may (i) create leverage with corresponding risks and risk of losses and volatility, (ii) introduce market exposures inconsistent with the objectives of the sub-fund, or (iii) yield a sum less than the amount of collateral to be returned; and that (C) delays in the return of securities on loans may restrict the ability of a sub-fund to meet delivery obligations under security sales.

A sub-fund may also incur a loss in reinvesting cash collateral received. Such a loss may arise due to a decline in the value of the investments made. A decline in the value of such investments would reduce the amount of collateral available to be returned by the sub-fund to the counterparty as required by the terms of the transaction. The sub-fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the sub-fund.

***Risks related to Total Return Swap***

In a standard “swap” transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments. Certain categories of swap agreements often have terms of greater than seven days and may be considered illiquid. Moreover, the Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. The swaps market is subject to extensive regulation under the Dodd-Frank Act and certain Securities and Exchange Commission and Commodity Futures Trading Commission rules promulgated thereunder. It is possible that developments in the swaps market, including new and additional government regulation, could result in higher Fund costs and expenses and could adversely affect the Fund’s ability, among other things, to terminate existing swap agreements or to realize amounts to be received under such agreements.

***Risks related to the use of SFT and TRS***

Operational risk: A sub-fund could suffer from losses through people, process and system failures.

Liquidity risk: Any type of security that is not publicly traded may be hard to value, and may be hard to sell at a desired time and price, especially in any volume. This also applies to securities that are publicly traded, but represent a small issue, trade infrequently, or trade on markets that are comparatively small or that have long settlement times. In addition to creating investment losses, liquidity problems could lead to a delay in the processing of Unitholder requests to redeem Units.

Counterparty risk: The sub-fund could lose money if an entity with which it does business becomes unwilling or unable to meet its obligations to the sub-fund.

If a counterparty fails to meet its obligations, the sub-fund may have the right to try to recover any losses by using any collateral associated with the obligation. However, the value of collateral may be worth less than the cash or securities owed to the fund, whether because of market action, inaccurate pricing, deteriorating issuer credit or market liquidity problems.

If a counterparty is late in honouring its obligations, it could affect the sub-fund's ability to meet its own obligations to other counterparties and could cause a delay in the processing of redemptions. Making a lending commitment involving a long term or large sum could lead to similar problems.

Custody / Sub-Custody Risk: Assets of the Fund are held in custody by the Depository / sub-depository and investors are exposed to the risk of these counterparties not being able to fully meet their obligation to reconstitute in a short timeframe all of the assets of the Fund. The sub-fund may incur losses resulting from the acts or omissions of the Depository / sub-depository bank when performing or settling transactions or when transferring money or securities.

Legal Risk: There is a risk that agreements and derivatives techniques are terminated due to as example bankruptcy, supervening illegality, change in tax or accounting laws. In such circumstances, a sub-fund may be required to cover any losses incurred. In addition, certain transactions are entered into on the basis of complex legal documents, such documents may be the subject to dispute due to interpretation in certain circumstances.

**6. Management of collateral and collateral policy**

**General**

In the context of OTC financial derivatives transactions and efficient portfolio management techniques, the Fund may receive collateral with a view to reduce its counterparty risk.

This section sets out the collateral policy applied by the Fund in such case. All assets received by the Fund in the context of efficient portfolio management techniques (securities lending, repurchase or reverse repurchase agreements) shall be considered as collateral for the purposes of this section.

**Management of collateral**

In the context of OTC financial derivative transactions and efficient portfolio management techniques, the Fund may receive collateral with a view to reduce its counterparty risk. Such collateral will be in the form of cash or securities as described below.

In doing so, the sub-fund shall comply with applicable restrictions and in particular with ESMA guidelines on exchange traded funds (“ETFs”) and other UCITS issues as described in CSSF circular 14/592 and SFTR.

The risk exposure to a counterparty arising from securities lending transaction and OTC financial derivative instruments should be combined when calculating the counterparty risk limits foreseen in section “Investment limits”.

This guarantee must be given in the form of cash and/or securities issued or guaranteed by Member States of the OECD or by local territorial authorities thereof or by Community, regional or world supranational institutions or bodies.

Where there is a title transfer, the collateral received should be held by the Depositary Bank of the Fund.

Collateral received must at all times meet with the following criteria:

- **Liquidity:** collateral must be sufficiently liquid in order that it can be sold quickly at a robust price that is close to its pre-sale valuation.
- **Valuation:** collateral must be capable of being valued on at least a daily basis and must be marked to market daily it being understood that the Fund will make use of daily variation margins within the key elements disciplined in each ISDA and CSA agreement in place with the various counterparties.
- **Issuer credit quality:** the Fund will ordinarily only accept very high quality collateral.
- **Correlation:** collateral received by the Fund should all be issued by an entity that is independent from the counterparty in order to avoid a high correlation with the performance of the counterparty.
- **Safe-keeping:** collateral must be transferred to the Depositary or its agent.
- **Enforceable:** collateral must be immediately available to the Fund without recourse to the counterparty, in the event of a default by that entity.
- **Maturity:** collateral must be have a maturity sufficiently short in order to limit interest rate volatility.

Non-Cash collateral:

- cannot be sold, pledged or re-invested;
- must be issued by an entity independent of the counterparty; and
- must be diversified to avoid concentration risk in one issue, sector or country.

Cash Collateral can only be:

- placed on deposit with entities prescribed in Article 41 1) (f) of the Law of 2010;
- invested in high quality government bonds;



- used for the purpose of reverse repo transactions provided the transactions are with credit institutions subject to prudential supervision and the UCITS is able to recall at any time the full amount of cash on accrued basis;
- invested in short-term money market funds as defined in the ESMA Guidelines on a Common Definition of European Money Market Funds (Ref. CESR/10-049).

Subject to the abovementioned conditions, collateral received by the Fund may consist of:

- (a) cash and cash equivalents, including short-term bank certificates and Money Market Instruments;
- (b) bonds issued or guaranteed by a Member State of the OECD or by their local public authorities or by supranational institutions and undertakings with EU, regional or worldwide scope;
- (c) shares or units issued by money market UCIs calculating a daily net asset value and being assigned a rating of AAA or its equivalent;
- (d) shares or units issued by UCITS investing mainly in bonds/shares mentioned in (e) and (f) below;
- (e) bonds issued or guaranteed by first class issuers offering adequate liquidity;
- (f) shares admitted to or dealt in on a regulated market of a Member State of the EU or on a stock exchange of a Member State of the OECD, on the condition that these shares are included in a main index.

The Fund may carry out OTC financial derivatives transactions with a level of collateral at least of 100% of the profits and losses exposure of the fund (subject to materiality threshold defined in the formal agreements executed between the counterparties) subject to be compliant with the counterparty risk exposure authorised by the applicable regulations. For certain types of transactions such as, but not limited to, Foreign Exchange Forward, the level of collateral may be equal to zero.

As part of its lending transactions, the Fund must in principle receive previously or simultaneously to the transfer of the securities lent a guarantee the value of which must at the conclusion of and constantly during the contract be at least equal to 90% of the global valuation of the securities lent.

Repurchase and reverse repurchase agreements will generally be collateralised, at any time during the lifetime of the agreement, at a minimum of 100% of their notional amount.

### **Reinvestment of collateral**

Non-cash collateral received by the Fund may not be sold, re-invested or pledged.

Cash collateral received by the Fund can only be:

- (a) placed on deposit with credit institutions which have their registered office in an EU Member State or, if their registered office is located in a third-country, are subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law;
- (b) invested in high-quality government bonds;

(c) used for the purpose of reverse repo transactions provided the transactions are with credit institutions subject to prudential supervision and the Fund is able to recall at any time the full amount of cash on accrued basis; and/or

(d) invested in short-term money market funds as defined in the Guidelines on a Common Definition of European Money Market Funds.

Reinvested cash collateral should be diversified in accordance with the diversification requirements applicable to non-cash collateral. To the extent required by the applicable Luxembourg regulations, reinvestments of such cash collateral must be taken into account for the calculation of the sub-fund's global exposure.

The Fund must proceed on a daily basis to the valuation of the collateral.

A UCITS receiving collateral for at least 30% of its assets should have an appropriate stress testing policy in place to ensure regular stress tests are carried out under normal and exceptional liquidity conditions to enable the UCITS to assess the liquidity risk attached to the collateral.

The sub-funds may incur a loss in reinvesting the cash collateral they receive. Such a loss may arise due to a decline in the value of the investment made with cash collateral received. A decline in the value of such investment of the cash collateral would reduce the amount of collateral available to be returned by the sub-funds to the counterparty at the conclusion of the transaction. The sub-funds would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the sub-funds.

The financial reports of the Fund shall disclose the assets into which the cash collateral is re-invested.

## **7. Disclosure to Investors**

In connection with the use of techniques and instruments the Fund will, in its financial reports, disclose the following information:

- the exposure obtained through efficient portfolio management techniques;
- the identity of the counterparty(ies) to these efficient portfolio management techniques;
- the type and amount of collateral received by the UCITS to reduce counterparty exposure;
- the use of TRS and SFT pursuant to the SFTR.
- the revenues arising from efficient portfolio management techniques for the entire reporting period together with the direct and indirect operational costs and fees incurred.

## **8. Haircut policy**

The Fund has set up, in accordance with Circular 14/592, a clear haircut policy adapted for each class of assets received as collateral mentioned below. Such policy takes account of the characteristics of the relevant asset class, including the credit standing of the issuer of the collateral, the price volatility of the collateral and the results of any stress tests which may be performed in accordance with the stress testing policy.

Collateral will be valued, on a daily basis, using available market prices and taking into account appropriate discounts which will be determined by the Fund for each asset class based on what has been defined in the Credit Support Annex entered into with each counterparty. The level of haircut depends on a variety of factors, including the nature of the collateral received, such as the issuer's credit standing, the maturity, currency, price volatility of the assets and, where applicable and in particular situations, the outcome of liquidity stress tests carried out by the Fund under normal and exceptional liquidity conditions.

The level of haircut applied normally ranges between:

10% and 40% for collateral received in the form of equities;  
0% and 20% for collateral received in the form of bonds; and  
5% and 40% for collateral received in a form different from above.

All assets received in the context of management of collateral for OTC financial derivative transactions and efficient portfolio management techniques in accordance with the Circular 14/592 will be considered as collateral and will comply with the criteria set up above.

All collateral used to reduce counterparty risk exposure will comply with the following criteria at all times:

For all the sub-funds receiving collateral for at least 30% of their assets, the Fund will set up, in accordance with the Circular 14/592, an appropriate stress testing policy to ensure regular stress tests under normal and exceptional liquidity conditions to assess the liquidity risk attached to the collateral.

The Fund must proceed on a daily basis to the valuation of the guarantee received or paid, using available market prices and taking into account appropriate discounts which will be determined in accordance to the CSA for each asset class based on its haircut policy. The policy takes into account a variety of factors, depending on the nature of the collateral received, such as the issuer's credit standing, the maturity, currency, price volatility of the assets.

### **AVAILABLE SUB-FUNDS (Sub-Fund schedules)**

Portfolios of equity oriented sub-funds consist mainly (i.e. for more than 50%) of shares and securities, and, on a residual basis, financial instruments. The general objective of these sub-funds is, where possible, appreciation of the capital.

The investment policy of the bond sub-funds gives priority to preservation of capital. Investments will be made mainly (i.e. for more than 50%) in bonds and short-term notes and certificates, or in related financial instruments including convertible bonds and/or in bonds with options/warrants on securities and zero coupons.

The financial instruments mentioned in the preceding 2 paragraphs will be compliant with those described in Article 41 (1) g) of the Law of 2010 and must meet the conditions and limits stipulated in Article 44. Nevertheless, if no financial indices that meet the criteria of Article 44 are concerned, the provisions of Articles 42 (3) and 43 of the Law of 2010 shall apply.

Investors are informed that the Board of Directors of the Management Company may resolve not to launch a sub-fund if its capital, at the end of the period of initial subscription, is less than 5 million euro or the equivalent in the reference currency. Such decision may be taken, at the latest, by the last day of the period of initial subscription. In the case in which this decision is made, investors will be informed by letter and the amounts paid by the investors will be returned at the latest within 2 business days from the date of payment. In this case, the prospectus will be updated.

## **GLOBERSEL – BRONCU**

### **Investment policy**

The aim of this sub-fund is to make its capital grow by investing mainly in different classes of international transferable securities, particularly shares and bonds, and in money market instruments with duration of less than twelve months, likewise through undertakings for collective investments in transferable securities (UCITs) authorised pursuant to the UCITS Directive and/or other UCIs within the meaning of Article 1, 1<sup>st</sup> paragraph, first and second indent of said Directive.

The sub-fund will not invest more than 35% of its net assets in shares, including UCITs and/or UCIs, that have a policy of investing mainly in shares and derivatives where the result is to create a position in shares.

The sub-fund will not invest more than 20% of its net assets in transferable securities of a bond nature, denominated in euros or foreign currencies, with a rating below Investment Grade.

The maximum investment percentage in debentures issued by companies of whatever sector may not exceed 65% of the net value of the sub-fund.

The sub-fund will not invest more than 10% of its net assets in ABS/MBS, CDOs, Distressed and Defaulted Debt securities.

The sub-fund may hold cash, on a residual basis.

The sub-fund may use financial techniques and instruments in order to promote an efficient portfolio management, in accordance with the restrictions set forth in the “Financial Techniques and Instruments” chapter of the prospectus.

### **Units, currency and Calculation Date**

This sub-fund issues capitalisation units in the form of registered securities. The Management Company may decide to issue distribution units.

The reference currency of the sub-fund is the euro. The net asset value of this sub-fund is calculated daily.

The minimum amount of the first subscription is 50,000.00 euro. The minimum amount of subsequent subscriptions is 25,000.00 euro.

### **Initial subscription period**

The sub-fund will be launched on the 1<sup>st</sup> February 2018 with the contribution from Leadersel - Broncu, a sub-fund belonging to Leadersel, a mutual fund with multiple sub-funds under Luxembourg law in accordance with Part I of the Law of 17 December 2010.

Units will be subscribed at an initial price equal to the price on the 31<sup>st</sup> January 2018 of the units of Leadersel - Broncu (calculated the next day).

### **Fees**

Subscriptions, redemptions or conversions in units of this sub-fund will not entail the collection of any fee.

The Management Company will apply quarterly a management fee at a maximum annual rate of 0.8%. The fee will be calculated on the average net asset value of the sub-fund in the reference quarter. The maximum management fee charged for the target funds will be 3%. If third party target funds cede back fees, they will be paid into the sub-fund.

### **Risk profile**

In addition to the risks defined in the “Investment objectives and policy of the Fund” chapter of the prospectus, the investor must also take into account the following risks:

Investment in this sub-fund involves risks due to possible variations in net asset value which, in turn, depend on the values of the securities in which the sub-fund invests.

Generally speaking, the following risks must also be considered: risk linked to the liquidity of transferable securities, risk linked to the currency in which the transferable securities are denominated, risk linked to the price variation of securities due to fluctuating interest rates, and risks linked to the possible variations of the net asset value of the target funds.

The investor must also consider that investing in shares involves a higher level of risk than investing in credit instruments due to market risks.

Potential investors must moreover be aware of the fact that the investment in target funds may entail double expenses (Depositary Bank, central administration, subscription, redemption, management and other such expenses).

The existence of such risks involves the possibility of not receiving back the entire capital on redemption.

The Board of Directors authorises the use of derivative instruments pursuant to the “Financial techniques and instruments” chapter and subject to the limits set by the investment restrictions of this prospectus for the sake of a sound portfolio management and interest rate and/or hedging management. The derivative markets are more volatile than those of securities and expectations of earnings are higher, as also are the risks of losses.

### **Overall risk assessment method**

The sub-fund uses the commitment approach to monitor and measure the global exposure.

### **Profile of the typical investor**

This sub-fund addresses to investors with a medium-term (3/5 years) investment horizon willing to accept a high level of risk. The investor is warned that all investments involve a percentage of risk and that it cannot be guaranteed that investment policy objectives will be achieved.

### **Past performance**

A chart of the past performance of the sub-fund can be found in the Key Investor Information Document.

## **GLOBERSEL EMERGING BOND – INSIGHT INVESTMENT**

### **Investment policy**

The aim of this sub-fund is to increase its capital by investing mainly (i.e. more than 50% of its net assets) in bonds or other transferable securities of the same nature issued by (or relating to) States, by territorial public authorities, international public undertakings in emerging countries or companies belonging to emerging countries.

The sub-fund will pursue a dynamic asset allocation policy in accordance with the situation on the different markets in which it operates.

The issues chosen may be either in local currency or in foreign (hard) currency.

The sub-fund will invest in bonds of Investment Grade or below Investment Grade rating.

The sub-fund may also invest in any other credit securities and instruments at a fixed or variable rate, for the short or the long term.

The maximum investment percentage in bonds convertible into shares may not exceed 25% of the net value of the sub-fund.

The sub-fund may invest up to 10% of its net assets in UCITSs or other UCIs as referred to in art. 41, section 1, of the Law of 2010.

The sub-fund may invest up to 50% of its net asset in securities below Investment Grade or not rated.

The sub-fund may invest in securities traded on the Russian Micex RTS market. Any other investment in securities traded on a non-regulated market in Russia is limited to 10% of its net assets.

The sub-fund may also invest up to 15 % of its net assets in bonds traded on the China Interbank Bond Market ("CIBM") in the People's Republic of China. Investing in the People's Republic of China is subject to specific risks, please see section "Fund investment objectives and policy", section (2) "Sub-Funds that invest in emerging countries", (II) warnings.

The sub-fund may, on a residual basis, invest in money market instruments with duration of less than twelve months.

The sub-fund may hold cash, on a residual basis.

The sub-fund may use financial techniques and instruments in order to promote an efficient portfolio management, in accordance with the restrictions set forth in the "Financial techniques and instruments" chapter of the prospectus.

The sub-fund will not invest in Asset Backed Securities ("ABS") or Mortgage Based Securities ("MBS") or other structured products involving special purpose vehicles with the aim of grouping together on their books any series of claims on different debtors.

The sub-fund may invest up to 5% of its net asset in Coco Bonds, Distressed and Defaulted Debt securities.

### **Units, currency and Calculation Date**

This sub-fund issues capitalisation units in the form of registered securities.

The reference currency of the sub-fund is the euro. The net asset value of this sub-fund is calculated daily.

The minimum amount of the first subscription is 2,500 euro. The minimum amount of subsequent subscriptions is 250 euro.

### **Initial subscription period**

The sub-fund will be launched on the 1<sup>st</sup> February 2018 with the contribution from Leadersel - Emerging Bond Opportunities, a sub-fund belonging to Leadersel, a mutual fund with multiple sub-funds under Luxembourg law in accordance with Part I of the Law of 17 December 2010.

Units will be subscribed at an initial price equal to the price on the 31<sup>st</sup> January 2018 of the units of Leadersel - Emerging Bond Opportunities (calculated the next day).

### **Fees**

No fee will be applied to subscriptions, redemptions or conversions into units of this sub-fund.

The Management Company will apply quarterly a management fee at a maximum annual rate of 1.1%. The fee will be calculated on the average net asset value of the sub-fund in the reference quarter. The maximum management fee charged for the target funds will be 3%. The target funds of the same promoter will cede 100% of their management commissions back to the sub-fund. If third party target funds cede back fees, they will be paid into the sub-fund.

In addition to the management fee, the Management Company will receive a performance fee at a maximum rate of 15%, calculated on the positive difference between the net return of the sub-fund and the reference index consisting of 20% Barclays EM USD Aggregate Sovereign (BSSU) hedged into EUR, 60% JPMorgan Global Bond Index – EM Global Diversified (GBI-EMGD) USD (to be converted in EUR), 20% JPMorgan Corporate Emerging Market Index Broad Diversified (CEMI BD) hedged into EUR. The performance fee is calculated and paid annually. Offsetting with any negative performance recorded in the previous year will not be allowed. In the event of redemption, the fraction of the performance fee for the day before the redemption will be fixed and paid at the end of the year. Exceptionally, the first calculation period of this performance fee will start from the day of inception of the sub-fund.

### **Risk profile**

In addition to the risks defined in the “Investment objectives and policy of the Fund” chapter of the prospectus, the investor must also take into account the following risks:

Investment in this sub-fund involves risks due to possible variations in net asset value which, in turn, depend on the values of the securities in which the sub-fund invests.

Generally speaking, the following risks must also be considered: risk linked to the liquidity of transferable securities, risk linked to the currency in which the transferable securities are denominated, risk linked to the price variation of securities due to fluctuating interest rates, and risks linked to the possible variations of the net asset value of the target funds.

In particular, the investor must take account of the country risk associated with the variation in macro-economic conditions in emerging countries, the price of securities due to interest rate fluctuations, and the capacity of issuers to meet interest payments and to reimburse the capital.



The existence of such risks involves the possibility of not receiving back the entire capital on redemption.

Potential investors must moreover be aware of the fact that the investment in target funds may entail double expenses (Depository Bank, central administration, subscription, redemption, management and other such expenses).

The Board of Directors authorises the use of derivative instruments pursuant to the “Financial techniques and instruments” chapter and subject to the limits set by the investment restrictions of this prospectus for the sake of a sound portfolio management and interest rate and/or hedging management. The derivative markets are more volatile than those of securities and expectations of earnings are higher, as also are the risks of losses.

#### **Overall risk assessment method**

The sub-fund uses the commitment approach to monitor and measure the global exposure.

#### **Profile of the typical investor**

This sub-fund addresses to investors with a long-term (above 5 years) investment horizon willing to accept a high level of risk.

The investor is warned that all investments involve a percentage of risk and that it cannot be guaranteed that investment policy objectives will be achieved.

#### **Past performance**

A chart of the past performance of the sub-fund can be found in the Key Investor Information Document.

## **GLOBERSEL EUROPEAN EQUITY – INVESTEC AM**

### **Investment policy**

The Sub-Fund aims to achieve a long-term capital growth primarily through investment in equities and equity related securities (such as common and preferred stock, warrants and rights), directly or through investments in undertakings for collective investments in transferable securities (UCITS), of companies either listed and/or domiciled in Europe or established outside of Europe but carrying out a significant portion of their business activities in Europe, both in euro and in foreign currency. Investments are made in companies from all economic sectors, with a prevalence of issuers with a medium-high capitalization. The securities in which the sub-fund invests are primarily quoted or traded on Regulated Markets in Europe.

The sub-fund may invest up to 10% of its net assets in UCITS or other UCI as referred to in art. 41, section 1, of the Law of 2010.

The sub-fund may hold cash, on a residual basis.

The sub fund may further invest in closed – ended REITS and UCITS ETFs on a residual basis.

The sub-fund may use financial techniques and instruments in order to promote an efficient portfolio management, in accordance with the restrictions set forth in the “Financial techniques and instruments” chapter of the prospectus.

### **Units, currency and Calculation Date**

This sub-fund issues capitalisation units in the form of registered securities. The Management Company may decide to issue distribution units.

The reference currency of the sub-fund is the euro. The net asset value of this sub-fund is calculated on a daily basis.

The minimum amount of the first subscription is 2,500 euro. The minimum amount of subsequent subscriptions is 250 euro.

### **Fees**

No fee will be applied to subscriptions, redemptions or conversions into units of this sub-fund.

The Management Company will apply quarterly a **management fee** at a maximum annual rate of 1.5 %.

The fee will be calculated on the average net asset value of the sub-fund in the reference quarter.

In addition to the management fee, the Management Company will receive a **performance fee** at a maximum rate of 20%, calculated on the positive difference between the net return of the sub-fund and the index consisting of 100% MSCI Europe Index in the reference quarter (hereinafter “calculation period”). Exceptionally, the first calculation period of this performance fee will start from the day of inception of the sub-fund.

The performance fee is paid and calculated on a quarterly basis. The unit’s net value increase percentage during the Performance Period is calculated before the performance fee (if any) is deducted, but after the management commission is deducted. In the event of redemption, the fraction of the performance fee for

the day before the redemption will be fixed and paid at the end of the quarter. Offsetting with any negative performance recorded in the previous quarters will not be allowed.

### **Risk profile**

In addition to the risks defined in the “Investment Objectives and Policy of the Fund” chapter of the prospectus, the investor must also take into account the following risks:

Investment in this sub-fund involves risks due to possible variations in net asset value which, in turn, depend on the values of the securities in which the sub-fund invests.

In particular, the investor must consider that investing in shares involves a higher level of risk than investing in debt securities due to market risks. The investor must also consider the risk related to variations in the price of securities due to fluctuations in interest rates.

In respect to equity shares as well as debt securities, the following risks must be taken into account: risks related to the liquidity of the securities, risks related to the currency in which these have been issued.

The existence of such risks involves the possibility of not receiving back the entire capital on redemption.

The Board of Directors authorises the use of derivative financial instruments in order to promote efficient management of the portfolio and to hedge market risks. The derivative markets are more volatile than those of securities and expectations of earnings are higher, as also are the risks of losses.

Any investment in shares entails a higher risk than an investment in bonds.

### **Overall risk assessment method**

The compartment will use the commitment approach to calculate its overall risk.

### **Profile of the typical investor**

This sub-fund addresses to investors with a long-term (5/10 years) investment horizon willing to accept a high level of risk.

The investor is warned that all investments involve a percentage of risk and that it cannot be guaranteed that investment policy objectives will be achieved.

### **Past performance**

The sub-fund has not been launched, so there is no past performance.

## **GLOBERSEL GLOBAL EQUITY – WALTER SCOTT & PARTNERS**

### **Investment policy**

This sub-fund invests mainly in shares and similar securities and also in convertible bonds, while the remaining part is invested in other types of bonds, in other debt securities and similar.

The sub-fund may invest, on a residual basis, in money market instruments with duration of less than 12 months

The sub-fund may hold cash, on a residual basis.

The sub-fund may invest up to 10% of its net assets in UCITS or other UCI as referred to in art. 41, section 1, of the Law of 2010.

The sub-fund may use financial techniques and instruments in order to promote an efficient portfolio management, in accordance with the restrictions set forth in the “Financial techniques and instruments” chapter of the prospectus.

### **Units, currency and valuation date**

This sub-fund issues capitalisation units in the form of registered securities. The Management Company may decide to issue distribution units.

The reference currency of the sub-fund is the euro. The net asset value of this sub-fund is calculated daily.

The minimum amount of the first subscription is 2,500 euro. The minimum amount of subsequent subscriptions is 250 euro.

As of 13.3. 2012, two classes of units have been issued as follows:

Class A: quoted in Euro, with the foreign exchange risks left unhedged. Existing unit holders of Globersel Equity remain in Class A. Class A unit prices continue to be valued at current NAV's.

Class B: quoted in Euro, with the foreign exchange risks hedged.

### **Fees**

No fee will be applied to subscriptions, redemptions or conversions into units of this sub-fund.

The Management Company will apply quarterly a **management fee** at a maximum annual rate of 1.50 %.

As of the 1<sup>st</sup> May 2013, the maximal annual rate of the management fee changed from 1.50 % to 1.75%.

The fee will be calculated on the average net asset value of the sub-fund in the reference quarter.

In addition to the **management fee**, the Management Company will receive a **performance fee** at a maximum rate of 18%, calculated on the positive difference between the net return of the sub-fund and the index consisting of 5% Merrill Lynch Euro Govt Bill Index and 95% MSCI World Index in the reference

quarter. **Offsetting with any negative performance recorded in the previous quarters will not be allowed.** The performance fee is calculated and paid on a quarterly basis.

### **Risk profile**

In addition to the risks defined in the “Investment Objectives and Policy of the Fund” chapter of the prospectus, the investor must also take into account the following risks:

Investment in this sub-fund involves risks due to possible variations in net asset value which, in turn, depend on the values of the securities in which the sub-fund invests.

In particular, the investor must consider that investing in shares involves a higher level of risk than investing in debt securities due to market risks. The investor must also consider the risk related to variations in the price of securities due to fluctuations in interest rates.

In respect to equity shares as well as debt securities, the following risks must be taken into account: risks related to the liquidity of the securities, risks related to the currency in which these have been issued.

The existence of such risks involves the possibility of not receiving back the entire capital on redemption.

The Board of Directors authorises the use of derivative financial instruments in order to promote efficient management of the portfolio and to hedge market risks. The derivative markets are more volatile than those of securities and expectations of earnings are higher, as also are the risks of losses.

Any investment in shares entails a higher risk than an investment in bonds.

### **Overall risk assessment method :**

The compartment will use the commitment approach to calculate its overall risk.

### **Profile of the typical investor**

This sub-fund addresses to investors with a long-term (5/10 years) investment horizon willing to accept a high level of risk.

The investor is warned that all investments involve a percentage of risk and that it cannot be guaranteed that investment policy objectives will be achieved.

### **Past performance**

A chart of the past performance of the Class A and Class B of the sub-fund can be found in the Key Investor Information Document.

## **GLOBERSEL PACTUM NATURAL RESOURCES**

### **Investment policy**

The objective of this sub-fund is long-term growth of the capital by investing chiefly in shares of companies active in natural resources and related sectors, through direct investments or derivative instruments. The sub-fund aims at an “absolute return” and therefore does not have any benchmark linked to a specific market or index.

The compartment is geared to long-term yields, chiefly by combining a core portfolio with a trading portfolio that can generate long or short positions on individual companies and hedge operations to protect itself from undesirable market risks through short positions on specific indices or markets.

The sub-fund may invest in instruments denominated in currencies other than the euro.

The sub-fund may invest, on a residual basis, in money market instruments with duration of less than 12 months.

The sub-fund may hold cash, on a residual basis.

The sub-fund may subscribe, acquire and/or hold securities issued by one or more UCITS and/or other UCIs complying with the conditions set out in the chapter “Investment Limits” above, provided that no more than 10% of the assets of the sub-fund in aggregate, shall be invested in units of such other UCITS or other UCIs.

The sub-fund may use techniques and instruments in order to promote an efficient portfolio management, in accordance with the restrictions set forth in the “Financial techniques and instruments” chapter of the prospectus. Derivatives may include (but are not limited to) forward exchange transactions, futures, options, equity swaps and contracts for difference (“CFD”). Derivatives may be used to take rising or falling positions on all the markets included in the sub-fund’s investment policy and the underlying may be individual instruments or baskets of instruments or financial indices. It is specified that the sub-fund may invest in derivatives not only for the purpose of hedging but also in order to achieve its investment objectives.

The underlying strategy of the sub-fund is essentially based on SWAPs, on single Listed Equities or on Indexes, whose composition will be public and disciplined by appropriate Index Rules publicly available.

The sub-fund will only trade with first class financial institutions, specialising in this type of operations and which have the ability to grant a first class service on the services provided.

For the moment being the counterparties do not have any discretion on the composition or the management of the portfolio.

### **Use of SFT and TRS**

The Sub-Fund does not contemplate to make use of SFT.

The maximum proportion of assets under management of the Sub-fund that can be subject to TRS is as follows:

TRS	100%
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The current expected proportion of assets under management that will be subject to TRS is as follows:

TRS	23%
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**Units, currency and valuation date**

This sub-fund may issue capitalisation units in the form of registered securities. The Management Company may decide to issue distribution units.

There will be 5 classes of units:

Class A Euro: only for subscribers who are already unitholders of Class A Euro units.

Class B Euro: for subscribers who subscribe in Euro.

Class C Euro: For subscribers who subscribe in Euro. An additional distribution fee as described below is applied to this Class.

Class D USD: for subscribers who subscribe in US Dollar.

Class E USD: For subscribers who subscribe in Dollar. An additional distribution fee as described below is applied to this Class.

Class F GBP: for subscribers who subscribe in GBP.

The reference currency of the sub-fund is the euro.

The net asset value of this sub-fund is calculated on a daily basis.

The minimum amount of the first subscription is 2,500 euro. The minimum amount of subsequent subscriptions is 250 euro.

By way of departure from the provisions of the chapter on redemption in the general part of this prospectus, any redemption request must arrive at the latest at 4:00 PM on the fifth day prior to the following calculation day.

**Currency Hedging Policy**

The assets attributable to the GBP and USD unit Classes will be exposed to possible adverse currency fluctuations between GBP and USD, the currencies in which the GBP and USD unit Classes are denominated respectively, and the Euro, the base currency of the Fund. In this regard, the Management Company may, at the discretion of the Investment Manager, enter into foreign exchange hedging transactions with the aim of protecting the Net Asset Value of the GBP and USD unit Classes ("Non-Euro unit Class hedging"). Any such Non-Euro unit Class hedging will be operated within a range of 95 to 105 per cent of the Net Asset Value of the GBP and USD units and will be reweighted on at least a monthly basis to ensure that over-hedged or under-hedged positions do not exceed /fall short of the levels set out

above. In no event will overhedged positions be carried forward. The use of financial instruments for the purpose of hedging foreign exchange risks may lead to a risk of contagion to other unit Classes. The list of unit Classes with a contagion risk can be found on [www.ersel.com](http://www.ersel.com).

The costs of, and profits and losses resulting from, Non-Euro unit Class hedging transactions will be allocated solely to the relevant units Classes save to the extent described under section "Risk profile" below."

### **Fees**

No fee will be applied to subscriptions, redemptions or conversions into units of this sub-fund.

The Management Company will apply quarterly a management fee set for each class of unit at a maximum annual rate of 1.6 %.

In addition, the Management Company will apply quarterly a distribution fee at a maximum annual rate of 1.0 % on Class C and E.

The fee will be calculated on the average net asset value of the sub-fund in the reference quarter.

In addition to the management fee, the Management Company will receive a performance fee at the maximum rate of 10% (for Class A) and 20% (for Classes B, C, D, E and F) on the positive yield of the sub-fund during the performance period. The fee is calculated if the net value of the unit exceeds the highest net value at the end of the month reached in the 12 months that precede the Calculation Date (High Watermark), prior to the deduction of the performance fee, if any, but after deduction of the management fee. The performance fee is booked with each calculation of the net asset value, provided that the foregoing conditions are met. If one of these conditions is not met, no booking will be made for that Valuation Date. In the event of redemption, the fraction of the performance fee for the day before the redemption will be fixed and paid at the end of the quarter. The first High Watermark period will start on the date that the sub-fund is launched.

The performance fee is calculated monthly (the "performance period") and paid quarterly. If the sub-fund pays a dividend, the amount distributed will be deducted from the reference net asset value.

### **Risk profile**

In addition to the risks defined in the "Investment Objectives and Policy of the Fund" chapter of the prospectus, the investor must also take into account the following risks:

Investment in this sub-fund involves risks due to possible variations in net asset value which, in turn, depend on the values of the securities in which the sub-fund invests.

In particular, the investor must consider that investing in shares involves a higher level of risk than investing in debt securities due to market risks. The investor must also consider the risk related to variations in the price of securities due to fluctuations in interest rates.

In respect to equity shares as well as regards debt securities, the following risks must be taken into account: risks related to the liquidity of the securities, risks related to the currency in which these have been issued.



The existence of such risks involves the possibility of not receiving back the entire capital on redemption.

Any investment in shares entails a higher risk than an investment in bonds.

The Board of Directors authorises the use of derivative financial instruments in order to promote efficient management of the portfolio and to hedge market risks. The derivative markets are more volatile than those of securities and expectations of earnings are higher, as are the risks of losses.

Investment in this sub-fund may involve counterparty risk which is the risk that a counterparty is not able to support its obligations, going in default and potentially bringing a loss to its counterparties equal to the credits in place. The Investment Manager has established measures in order to minimize, where possible, this risk factor for the sub-funds managed.

While the Investment Manager will attempt to perform the Non-Euro Class hedging, as described above under "Units, currency and valuation date", there can be no guarantee that the aim of these techniques will be successful. Hedging transactions will be clearly attributable to a specific class. The costs and gains/losses of the hedging transactions will accrue solely to the relevant hedged class and will be reflected in the net asset value of that class. However unitholders should note that there is no segregation of liability between unit classes. Unitholders therefore are exposed to the risk that hedging transactions undertaken in one class may impact unfavorably the net asset value of another class. The performance of any hedged class is likely to move in line with the performance of the underlying assets especially as affected by risks other than interest rate risk and exchange rate risk. Unitholders of the current hedged classes are unlikely to benefit as much as unitholders of unhedged unit classes of a sub-fund if the class currency falls against the base currency and/or the currency in which the assets of the relevant sub-fund are denominated.

### **Overall risk assessment method :**

The compartment will use the commitment approach to calculate its overall risk.

### **Risk control**

The sub-fund will only carry out OTC transactions with first-class financial institutions, specialising in that type of transaction and only in accordance with the terms established by the International Swaps and Derivatives Association ("ISDA"). In addition, the sub-fund will ensure that at any time whatsoever it has sufficient liquidities to fulfil the obligations arising from that type of transaction.

### **Profile of the typical investor**

This sub-fund addresses to investors with a middle-term (3/5 years) investment horizon willing to accept a high level of risk.

The investor is warned that all investments involve a percentage of risk and that it cannot be guaranteed that investment policy objectives will be achieved.

### **Past performance**

A chart of the past performance of the sub-fund can be found in the Key Investor Information Document.

## **GLOBERSEL - US EQUITY SELECTION**

### **Investment policy**

The objective of this sub-fund is to offer investors the possibility of investing in a particular geographic area, in this case the United States. This sub-fund, denominated in euro, will invest mainly in shares of listed USA companies with the possibility, subordinately, of investing in bonds of OECD issuers.

The sub-fund may invest, on a residual basis, in money market instruments with duration of less than 12 months and hold liquid assets.

The sub-fund may hold cash, on a residual basis.

The sub-fund may invest up to 10% of its net assets in UCITS or other UCI as referred to in art. 41, section 1, of the Law of 2010.

The sub-fund may use techniques and instruments in order to promote an efficient portfolio management, in accordance with the restrictions set forth in the "Financial techniques and instruments" chapter of the prospectus.

### **Units, currency and valuation date**

This sub-fund issues capitalisation units in the form of registered securities. The Management Company may decide to issue distribution units.

The reference currency of the sub-fund is the euro. The net asset value of this sub-fund is calculated daily.

The minimum amount of the first subscription is 2,500 euro. The minimum amount of subsequent subscriptions is 250 euro.

Two classes of units will be issued as follows:

Class A: quoted in Euro, with the foreign exchange risks unhedged.

Class A units will be subscribed at an initial price of 100 euro each.

The subscription period will be notified subsequently.

Class B: quoted in Euro, with the foreign exchange risks hedged.

Existing unit holders of Globersel US Equity Selection remain in Class B.

Class B unit prices continue to be valued at current NAV's.

### **Currency Hedging Policy**

The assets attributable to the Class B will be exposed to possible adverse currency fluctuations due to the investment policy. In this regard, the Management Company may, at the discretion of the Investment Manager, enter into foreign exchange hedging transactions with the aim of protecting the Net Asset Value of the Class B. Such hedging will be operated within a range of 95 to 105 per cent of the Net Asset Value

of Class B and will be reweighted on at least a monthly basis to ensure that over-hedged or under-hedged positions do not exceed /fall short of the levels set out above. In no event will overhedged positions be carried forward. The use of financial instruments for the purpose of hedging foreign exchange risks may lead to a risk of contagion to other unit Classes. The list of unit Classes with a contagion risk can be found on [www.ersel.com](http://www.ersel.com).

The costs of, and profits and losses resulting from Class B hedging transactions will be allocated solely to this Class B save to the extent described under section "Risk profile" below."

### **Fees**

No fee will be applied to subscriptions, redemptions or conversions into units of this sub-fund.

The Management Company will apply quarterly a **management fee** at a maximum annual rate of 1.75 %.

As of the 1<sup>st</sup> of May 2013, the maximal annual rate of the management fee changed from 1.50 % to 1.75%.

The fee will be calculated on the average net asset value of the sub-fund in the reference quarter.

In addition to the management fee, the Management Company will receive a **performance fee** at a maximum rate of 20%, calculated on the positive difference between the net return of the sub-fund and the index consisting of 90% MSCI USA and 10% Merrill Lynch Euro Govt Bill Index in the reference quarter (hereinafter "calculation period"). Exceptionally, the first calculation period of this performance fee will start from the day of inception of the sub-fund.

**Offsetting with any negative performance recorded in the previous quarters will not be allowed.**

The performance fee is paid and calculated on a quarterly basis.

### **Risk profile**

In addition to the risks defined in the "Investment Objectives and Policy of the Fund" chapter of the prospectus, the investor must also take into account the following risks:

Investment in this sub-fund involves risks due to possible variations in net asset value which, in turn, depend on the values of the securities in which the sub-fund invests.

In particular, the investor must consider that investing in shares involves a higher level of risk than investing in debt securities due to market risks.

Generally speaking, the following risks must also be considered: risks related to the liquidity of the securities, risks related to the currency in which these have been issued.

The existence of such risks involves the possibility of not receiving back the entire capital on redemption.

The Board of Directors authorises the use of derivative financial instruments in order to promote efficient management of the portfolio and to hedge market risks. The derivative markets are more volatile than those of securities and expectations of earnings are higher, as also are the risks of losses.

While the Investment Manager will attempt to perform the currency hedging, as described above under "Units, currency and valuation date", there can be no guarantee that the aim of these techniques will be successful. Hedging transactions will be clearly attributable to a specific class. The costs and gains/losses of the hedging transactions will accrue solely to the relevant hedged class and will be reflected in the net asset value of that class. However unitholders should note that there is no segregation of liability between unit classes. Unitholders therefore are exposed to the risk that hedging transactions undertaken in one class may impact unfavorably the net asset value of another class. The performance of any hedged class is likely to move in line with the performance of the underlying assets especially as affected by risks other than interest rate risk and exchange rate risk. Unitholders of the current hedged classes are unlikely to benefit as much as unitholders of unhedged unit classes of a sub-fund if the class currency falls against the base currency and/or the currency in which the assets of the relevant sub-fund are denominated

**Overall risk assessment method :**

The compartment will use the commitment approach to calculate its overall risk.

**Profile of the typical investor**

This sub-fund addresses to investors with a long-term (5/10 years) investment horizon willing to accept a high level of risk.

The investor is warned that all investments involve a percentage of risk and that it cannot be guaranteed that investment policy objectives will be achieved.

**Past performance**

A chart of the past performance of the sub-fund can be found in the Key Investor Information Document.